

# FINANCIAL TIMES



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World Business Newspaper

FRIDAY NOVEMBER 24 1995

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## Lyonnais des Eaux clinches \$1.3bn bid for UK water group

The French utility group Lyonnais des Eaux sealed its takeover bid for Northumbrian Water, ending an eight-month courtship. The board of the north-eastern privatised UK water company yesterday accepted the group's \$2.2bn (£1.3bn) offer. Lyonnais will merge Northumbrian's operations with the neighbouring North East Water to become the UK's fifth largest water supplier. Page 19; Lex, Page 18

**Credit Lyonnais under pressure:** State-owned French bank Credit Lyonnais is set to come under pressure to sell off a higher than expected proportion of assets in exchange for the European Commission's approval of its rescue plan. Page 18 and Lex

**UK power sector in turmoil:** The UK government threw the electricity sector into turmoil by referring bids by generating companies National Power and PowerGen for regional power groups Southern Electric and Midlands Electricity respectively to the Monopolies and Mergers Commission. Page 13; Lex, Page 18

**Egypt cracks down on fundamentalists:** Egypt's president Hosni Mubarak (left) moved decisively against the country's oldest and most popular Islamist organisation, the Muslim Brotherhood, after years of turning a blind eye to many of its activities. A military court sentenced 54 men to between three and five years in prison after a controversial conspiracy trial against 81 members of the movement. At the same time, security forces closed the group's headquarters in central Cairo. Page 8

**General Motors, the US carmaker, and the Polish government have begun formal talks on GM proposals to build an integrated car manufacturing plant in Poland with an investment of up to DM550m (\$390m). Page 6**

**Poll backing for European single currency:** Fifty-three per cent of Europeans questioned expect a single currency by 2000 and most would be happy if it were called the Euro, according to a poll by the European Commission. Editorial Comment, Page 17

**S African bus crash kills seven tourists:** Seven Swiss tourists were killed when a tour bus overturned on a wet road near Riversdale, 250km east of Cape Town.

**China renews pressure on WTO entry:** The time was ripe for China to join the World Trade Organisation after its recent announcement of substantial tariff cuts, the country's foreign ministry said. Page 6

**German jailed for smuggling plutonium:** A court sentenced German businessman Adolf Jaekle to 5½ years in prison for smuggling weapons grade plutonium into the country.

**Bremen Vulkan, Germany's largest shipbuilding group, said losses this year would reach up to DM250m (\$179.5m) as bankers and officials from Bremen city held crisis talks to discuss the company's finances. Page 19**

**Hungarian minister offers to quit Hungary's finance minister Lajos Bokros offered to resign in protest against a constitutional court ruling which, he said, could jeopardise an economic austerity package. Page 3**

**ING profits rise 15%:** Dutch financial services group ING, which bought UK merchant bank Barings after its collapse in February, reported net profits up 15 per cent to £1.88bn (\$1bn) in the first nine months of 1995. Page 20

**Chernobyl health cost put at \$200m:** The long-term monitoring of the health of victims of the Chernobyl nuclear disaster in Ukraine nearly 10 years ago could cost \$200m, according to an expert from the World Health Organisation. Page 2

**Jaffa 'cut off' by Sri Lankan army:** The Sri Lankan army said it had cut off the rebel stronghold of Jaffna in spite of resistance from Tamil Tiger guerrillas holding the town. Page 4

**John Fairfax, the Australian newspaper publisher, warned shareholders it was looking at a "modestly lower profit" in the 1995-96 financial year, compared with the previous year. Page 22**

**Eurostar trains disrupted by strikes:** Eurostar trains from Brussels to London were badly disrupted in a strike by Belgian rail workers. More disruption for the high-speed trains which link London to Paris and Brussels through the Channel tunnel was forecast for today. Strikes set to grip France today. Page 3

**Burial chamber hit by Mideast earthquakes:** The earthquake which hit the Middle East on Wednesday cracked the ceiling of Pharaoh Chephren's burial chamber inside one of the Great Pyramids of Giza in Egypt.

STOCK MARKET INDICES			
FT-SE 100	5,982.5	(+28.8)	London
Yield	3.57		
FT-SE Europe 100	1,444.17	(+2.7)	
FT-SE-A All-Share	1,784.38	(+0.7%)	
Nikkei			closed
LONDON MONEY			
3-mo interbank	6½%	(B14)	
Life long gilt rate: Dec100s	Dec100s		
NORTH SEA OIL (Average)			
Brent 15-day (Jan)	\$15.745	(+16.82)	Tokyo closed
The New York markets were closed yesterday			

Australia	S&P500	Grain	Oil	Metals	US\$200	Other	CR15.00
Belgium	DN1250	Hong Kong	HK250	Monaco	US\$25	S. Africa	SP11
Denmark	DN100	India	IN100	Norway	NOR100	Slovakia	SK100
France	CD100	Japan	JP100	Spain	SP100	Slovenia	SL100
Germany	CD100	South Africa	SA100	Sweden	SW100	Switzerland	CH100
Greece	GR100	Taiwan	TA100	Thailand	TH100	UK	UK100
Hong Kong	HK100	USA	US100	Yugoslavia	YU100		
Italy	IT100						
Japan	JP100						
South Korea	SK100						
Spain	SP100						
Sweden	SW100						
Switzerland	CH100						
Taiwan	TA100						
Thailand	TH100						
UK	UK100						
USA	US100						
Yugoslavia	YU100						

## Ex-KGB man winning the battle for Yeltsin's ear

By John Thornhill in Moscow

There was a time when Kremlinologists would study who stood next to whom on Lenin's Mausoleum to understand which politicians were most favoured in the Soviet Union. A variant of the same game is again being played in Moscow - only this time it concerns who gains access to President Boris Yeltsin in hospital and how long their meetings last.

### Lost art of the Kremlinologist revived at president's bedside

Komsomolskaya Pravda, a newspaper which shows little sympathy for the president's plight, yesterday ran a front-page article listing the comings and goings at ward one of the central clinical hospital, where Mr Yeltsin has been recuperating since his heart attack on October 25.

The newspaper suggests there is no doubt who is the most influential of his entourage. That award goes to General Alexander Korzhakov, the former KGB officer whose official title is head of Mr Yeltsin's bodyguard but

whose remit appears to spread far wider. General Korzhakov, who is often depicted in the press as a modern Rasputin, has seen Mr Yeltsin even more frequently than the president's wife, Naina.

Russian political observers were no less surprised by the number two on the list: Mr Victor Ilyushin, the assiduous head of the presidential apparatus, who acts as Mr Yeltsin's gatekeeper and transmits his thoughts into

countless presidential decrees. He meets the president every morning to discuss his agenda. Mr Victor Chernomyrdin, the prime minister who would assume presidential powers should Mr Yeltsin be incapacitated, had to wait eight days before gaining access to the hospital, suggesting to Komsomolskaya Pravda relations are cool. Mr Oleg Soskovets, first deputy prime minister, still has the president's ear and has had several lengthy meetings with Mr Yeltsin. In contrast, Mr Anatoly Chubais, the "second" first deputy prime minister and standard bearer of economic reforms, had to wait until November 17 before being granted an audience.

## Overhaul of farm policy urged before EU expands

By Caroline Southey in Brussels

Enlargement of the European Union will not be possible without an overhaul of the Common Agricultural Policy, including cuts in price support payments to farmers, Mr Franz Fischler, EU agriculture commissioner, said. Mr Fischler pushes for CAP reform in a draft report on the impact of extending EU membership to 10 central and eastern European countries. The agriculture paper, one of two Commission documents on enlargement due out next week, is to be presented to the EU heads of state summit in Madrid next month.

Reform of the CAP has emerged as the most explosive issue facing the EU ahead of enlargement. But Mr Fischler links the need for reform to issues other than accession, arguing that the EU faces food mountains among the present membership if the CAP is left unchanged. "Trying to maintain the status quo, even after 2000, would not appear to be a good policy choice, although it might be a feasible option for a limited number of years," the commissioner argues. Reforming CAP after enlargement will also prove "difficult and costly" since farmers in new member states would have to be compensated.



Former Barings trader Nick Leeson (third from left) arrives in Singapore from Frankfurt to face trial on fraud and forgery charges related to the collapse of the British merchant bank. Report, Page 18. Reuters

The report warns that EU agriculture production will grow in key sectors, pointing out that "there is a risk that stocks could pile up again towards the end of the decade as possibilities to export with subsidies diminish under a liberalised world trade regime."

In some sectors internal demand may even decrease and growing surpluses could well lead again to major market imbalances in the EU. Surpluses, have been dramatically reduced since CAP reforms were introduced in 1992. The report also outlines changes necessary in the central European countries (CECs) ahead of accession, particularly in land reform, rural credit systems and developing the marketing and food processing sectors.

## Vote clears way for Spanish probe into 'dirty war' claims

By Tom Burns in Madrid

Spain's Congress voted yesterday to lift parliamentary immunity protecting Mr José Barrionuevo, a former interior minister. It thus cleared the path for a supreme court investigation into allegations of government involvement in covert counter-terrorist operations against Basque exiles in France in the 1980s. The vote in the chamber, in which the Socialist government is in a minority, could lead to similar legal moves against Mr Felipe Gonzalez, the prime minister, Mr Narcis Serra, former deputy prime minister, and Mr José María Benegas, a senior Socialist in the Basque country. All three, who are likewise protected by parliamentary privileges as members of Congress, were named with Mr Barrionuevo in the inquiry into the so-called Anti-terrorist Liberation Groups (GAL). These claimed 27 victims in a hit-and-run campaign against members of the Basque separatist organisation Eta between 1983 and 1986.

Several former policemen, together with senior members of the anti-terrorist units of the security services and of the interior ministry, have already been charged in connection with the GAL and the testimony of some of these defendants led to the probe extending up the governing hierarchy. The supreme court, which alone has powers to question legislators once parliament lifts their immunity, is considering allegations that the government and top members of the Socialist

party were aware of Gal's activities and, in certain cases, backed the "dirty war" against Eta. Mr Barrionuevo, who became interior minister in 1982 when Mr Gonzalez won power, was appointed transport and communications minister in 1988 when legal proceedings commenced against Gal members. He will be questioned in connection with charges of kidnapping, misuse of public funds and association with an armed band. Mr Gonzalez and his parliamentary colleagues included in the Gal probe have strongly and repeatedly denied any connection with Gal and Mr Barrionuevo said yesterday he welcomed the opportunity to clear his name before the supreme court. In the vote - taken in a free and secret ballot in plenary session - 204 were in favour, 122 were against and 10 abstained. The decision brings the Gal affair, which dominated domestic news earlier this year, back into the limelight at a time when Mr Gonzalez is preparing to dissolve parliament and call elections early next year.

## Break-up of AEG planned, says union

By Wolfgang Münchau in Frankfurt

Daimler-Benz is considering dismantling AEG, its loss-making electronics subsidiary and one of Germany's oldest industrial companies, according to an internal document obtained by AEG's works council.

The break-up of AEG - which is expected to lose more than DM1bn (\$700m) this year - would take place on January 1. It would involve factory closures, sales to third parties, and a reshuffle of existing operations within the Daimler-Benz group. AEG workers' representatives say about 10,000 staff, 20 per cent of the workforce, could lose their jobs.

The degree of job losses would exceed those at Daimler-Benz Aerospace, which this week confirmed plans to dismiss almost 9,000 staff in a restructuring programme. The AEG figure includes job losses that workers' representatives expect to occur in operations sold to third parties.

Mr Peter Sackenheim, head of AEG's works council, said internal preparations for the dismemberment of AEG were virtually complete. He said the decision would be formally ratified on March 6 1996 at an extraordinary meeting of shareholders. Daimler-Benz is the majority shareholder in AEG.

The company yesterday confirmed that an internal working

Continued on Page 18

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## NEWS: EUROPE

## Hungarian minister offers to step down over court ruling

By Virginia Marsh in Budapest

Hungary's finance minister, Mr. Lajos Bokros, offered to resign yesterday in protest against a constitutional court ruling which, he said, could jeopardise an economic austerity package introduced last March.

The resignation offer, which came on the eve of a politically charged conference of the governing Socialist party, was refused by Mr. Gyula Horn, the prime minister, who faces strong criticism of the reform package at the conference.

The so-called Bokros package, which has led to a remarkable turnaround in the Hun-

garian economy, included a 20 per cent devaluation of the forint over the first half of this year and an 8 per cent import surcharge. It also raised social security charges and taxes while cutting subsidies and government spending.

The package is widely credited with restoring international confidence in the government's market-led reforms. Exports and investment have risen sharply to compensate for the steep decline in domestic demand resulting from the package, which imposed an 11 per cent cut in real incomes this year to be followed by another 3-4 per cent drop in 1996.

The legality of several of the specific measures was challenged by the constitutional court, forcing the government to redraft several clauses. In its latest intervention earlier this week, the court ruled that a proposed increase in housing loan rates from 15 to 25 per cent was also unconstitutional.

Speaking on national television last night, Mr. Bokros said the court had now rejected a large part of the package, limiting his room for manoeuvre and leaving the government with little choice but to maintain high taxes and pursue inflationary policies. "This I am not prepared to do."

He accused the court of

exceeding its authority and called on the two governing parties to find a legal solution which would allow the coalition to retain control over economic policy.

Government officials said Mr. Horn had immediately rejected the resignation, adding that there were no differences between him and Mr. Bokros on key policy issues.

Mr. Bokros, for his part, thanked the prime minister for rejecting his resignation, leaving the way open for a compromise. However, previous attempts by the government to discuss its plans with the constitutional court have failed to produce results.

## Party belief grows that Papandreou must quit

By Kerin Hope in Athens

Mr. Andreas Papandreou is starting to recover from pneumonia, but senior members of his Socialist party doubt he can continue as Greece's prime minister.

A spokesman for the Onassis Cardiac Hospital, where the 76-year-old premier is in intensive care, said yesterday he was "making good progress and the infection is retreating, but the next 24 hours will be decisive".

The announcement cheered party leaders who have been thronging the corridors outside the intensive care unit, together with Orthodox priests bearing icons and other holy relics intended to assist Mr. Papandreou's recovery. Only his wife, Dimitra, is allowed to stay at his bedside.

However, several senior Socialists have voiced doubt that the prime minister, who has chronic heart and stomach problems, will be able to resume his duties.

But after Mr. Papandreou was rushed to hospital three days ago, an unofficial inner cabinet has quietly taken control of the government.

The group includes Mr. Akis Tsochatzopoulos, public administration minister and a senior cabinet member, who is standing in for the prime minister, Mr. Antonis Llavris, minister without portfolio and the Mr. Papandreou's closest political aide; Mr. Yannis Papantonou, economy minister; and Mr. Alex. Papadopoulos, finance minister.

Mr. Tsochatzopoulos, leader of a populist faction in the governing Panhellenic Socialist Movement (Pasek), is the only one with ambitions to succeed Mr. Papandreou.

It is not yet clear whether this inner cabinet will be able to force through decisions on economic policy while the prime minister is out of action.

Mr. Papandreou has kept a tight grip on power, in line with the Greek practice of making the prime minister personally responsible for all important decisions, including approvals of large public works contracts and donations of public sector enterprises.

Economic growth next year will depend to a large extent on the launching of new infrastructure projects which would be eligible for grants from the European Union structural funds.

Mr. Papandreou had promised that contracts for projects worth \$4m would be ratified before December.

The Socialists have set February as the date for floating 8 per cent of the state telecoms company, OTE, on the Athens stock exchange. The listing, postponed twice in the past two years, was revived in



Mr. Andreas Papandreou (pictured in parliament earlier this year) is recovering from pneumonia but still seriously ill.

### Greeks stage pay rise protests

Greek factory workers and civil servants staged a one-day strike yesterday to press demands for real wage increases in 1996 after four years of rises that have failed to match the inflation rate, writes Kerin Hope. Pensioners demanding similar increases also participated in demonstrations in central Athens and a march to parliament.

The government wants to restrict increases for public sector workers to 5 per cent next year, to be paid in two tranches of 2.5 per cent in January and July. Containing wage rises is seen as crucial if Greece is to cut inflation from 8.3 per cent last month to 5 per cent at the end of next year, in line with targets for economic convergence with the rest of the European Union.

A wave of strikes and demonstrations is sweeping across Greece ahead of next week's budget announcements. Doctors and hospital staff said they will strike next week, while universities have closed as students stage demonstrations demanding that 15 per cent of budget spending should be earmarked for education.

response to pressure from Brussels. But privatisation is still a controversial issue for Pasok and the offering is unlikely to take place on time unless Mr. Papandreou gives the go-ahead.

The process of choosing his successor has not yet been clarified, but the "gang of four" rebels who last month demanded that Mr. Papandreou step down are poised to renew their bid for power.

Their leader, Mr. Costas Simittis, former industry minister, is emerging as the leading contender to take over from Mr. Papandreou. He has strong support from trade unions,

who are influential in the Pasok party machine, as well as among parliamentary deputies and pro-European cabinet ministers.

The other members are Ms. Yvonne Papandreou, former European social affairs commissioner and one of Greece's most popular politicians; Mr. Theodore Pangalos, the outspoken former European affairs minister; and Mr. Paraskevas Avgerinos, who served as health minister in the 1980s.

The four have been building support in Pasok's parliamentary group, which would be responsible for electing a new prime minister.

## Ireland votes on legalising divorce

By John Murray Brown in Dublin

Ireland goes to the polls today in a referendum to introduce civil divorce at the end of a campaign which has bitterly divided this traditionally conservative Roman Catholic country.

The government yesterday expressed a "quiet confidence" at a Yes outcome, following a final personal appeal from Mr. John Bruton, the prime minister, who warned this week that "the time for Irish solutions to Irish problems is over".

Notwithstanding the personal misgivings of some deputies, the five main political parties and leading newspapers are publicly supporting the proposed amendment to the 1937 Constitution legalising remarriage.

With a solid 30 per cent of devout Catholics likely to vote No on religious grounds, the anti-divorce campaign has highlighted the social implications of the legislation, sowing uncertainties about property rights and welfare entitlements.

In a 1986 divorce referendum, lost by 2:1, only six of Ireland's 41 constituencies voted for divorce, all of them in the greater Dublin area, which accounts for a third of the country's 3.5m population.

The result could have important implications for the peace process in Northern Ireland, where Unionists will construe a defeat for the constitutional amendment as further evidence that the republic remains a priest-ridden society.

A Yes vote would be a personal reward for Mr. John Bruton, who in the last week has made an impressive case for the pro-divorce campaign.

The final week of the campaign has been marked by a late intervention from Pope John Paul who, although not explicitly calling for a No vote, gave a clear lead to defend Christian marriage. The last official poll at the weekend suggested the pro-campaign's lead had slipped to just a few points with 47 per cent for, 39 per cent against, and 14 per cent undecided. Polls suggest that voters in the 35-50 age group are more likely to vote Yes, while those under 25, still "stare-eyed" about marriage, as one official put it, would vote against.

The government is holding the poll on a Friday for the first time in the Republic's history, in order to encourage a larger turnout, and allow students registered in country constituencies to return home to vote.

In 1986, the turnout was a high 60 per cent.

## Unions mount challenge to government changes in welfare system

## Strikes set to grip France today

By David Buchanan and John Riddling in Paris

The French government's welfare changes face their first big test on the streets today as most of the country's unionised public sector holds a 24-hour protest strike. The disruption will be compounded by a national rail stoppage.

The strikes, which are already disrupting air traffic and will also prevent the appearance of any national newspapers, look set to surpass last month's one-day protest at the government's planned freeze of public pay next year. This is despite the fact that the Force Ouvrière (FO) union federation has decided to make its protest next Tuesday.

Calling for national support to pull the social security system out of the red, Mr. Alain

Juppé, the prime minister, warned last week that "if two million people were to demonstrate in the streets, my government would not survive". Mr. Marc Blondel, the FO secretary general, yesterday said his union and others were taking up this "challenge".

According to CSA opinion poll yesterday, 64 per cent of French people support today's action, and 65 per cent said they would have backed a general strike.

Initially, union federations did not plan a general strike today, but rather a public sector protest aimed, in general, at the welfare reforms and, in particular, at plans to extend civil servants' pension contributions to match those required of the private sector. But against the background of growing unrest - already evi-

dent earlier this week among students who also plan protests next week - sectoral unions, most dramatically in the railways, are taking their own action.

Mr. Juppé is set to approve within the next few days a plan to curb losses and debts at the SNCF rail network, estimated this year at up to FF12bn (\$2.5bn) and FF17.5bn (\$3.6bn) respectively. Unions are opposed to the productivity measures and threats of line closures expected to be contained in the plan, which will cover the period between 1996 and 2000.

The railworkers' arm of the CFDT, the biggest and generally moderate union federation, have threatened to prolong the dispute beyond today's strike. Almost no regional and Paris suburban

trains and few high-speed trains are expected to run today, except the Paris-London Eurostar service which will be less affected. SNCF said it expected some disruption to continue through the weekend.

"There will be a massive action to stop cuts," said an official of the Communist-led CGT union. He said the 180,000 railworkers had already made enough sacrifices, describing the restructuring plan as a step towards the break-up and privatisation of the railways.

The government is expected to provide some debt relief to SNCF, if matched by productivity efforts by the company. "The situation is extremely serious," said Mr. Bernard Pons, the transport minister. "SNCF is trapped in a spiral of deficits which threatens to engulf it."

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## NEWS: ASIA-PACIFIC

# Tony Walker reports on the effects of an end to capital equipment exemptions China tax shift starts import rush

Mr Zhu Rongji, China's executive vice premier in charge of the economy, may not have intended it, but his recent announcement that Beijing would phase out tax exemptions for capital equipment imports by foreign investors from January 1 has set off something of a gold rush.

Foreign investors are hurrying to secure approval for project proposals by the end of the year, thus making these projects eligible for tax concessions on equipment imports. Investors are being aided in this by local authorities anxious to preserve the flow of investment.

In Shanghai, the municipal Foreign Investment Commission, which is authorised to approve projects up to the value of \$30m (£19m), has been inundated with new proposals in the two weeks since Mr Zhu made his announcement at a meeting in Beijing with Chinese bank and insurance company managers.

"People are rushing to register new projects before the end of the year. They want to make sure they are eligible for continuing tax breaks on imports of capital equipment," said the representative in Shanghai of an American investment bank.

Under present rules foreign investors are not liable for tax on imported equipment.

Mr Zhu's announcement confirmed that the authorities are involved in a sweeping review of preferential tax arrangements for foreign investors. A phasing out of tax exemptions on capital equipment imports would mark the first stage of what is certain to be an extensive restructuring of the preferential tax system.

Officials say China wants to "level the playing field" for local and foreign enterprises alike, but they understand that abrupt changes of policy would risk scarring away investment.

Foreign investors enjoy significant tax advantages compared with state companies. This annoys managers of struggling state-owned enterprises.

Foreign invested enterprises operating in China's special economic zones pay 15 per cent corporate tax, joint ventures outside the zones pay 30 per cent corporate tax (plus a 3 per cent local tax), while state companies pay 55 per cent.

Mr Zhu himself dealt with this issue when he said in mid-November that while preferential policies should remain "basically unchanged", China needs to comply with national treatment requirements for entry to the World Trade Organisation. This made it "impossible to avoid making the necessary re-adjustments to these policies".

It is imprudent statements like these that make foreign business nervous. Companies with plans for investment in China over the next year are being obliged to rework the numbers for their investments, and some may be discouraged.

Anne Stevenson Yang of the US-China Business Council believes that it would be fairer and less damaging to China's own interests for a clear state-

ment to have been made that would have indicated a time-frame for the implementation of the new policy on equipment imports.

"It would be wise to have provided, say, a year's notice," she said. "This would have allowed companies not only to formulate their plans, but it would also have provided a healthy stimulus for new investment in the meantime as companies brought forward their investment plans to secure the tax advantage."

The US-China Business Council, which represents many of America's leading companies, said in a petition to the Chinese government that "premature removal" of the equipment tax exemption would "force every foreign investor to reconsider every China investment".

"Many investments will be scaled down, and many will be cancelled," it added. "High-tech investments will be especially hard-hit, as will export-oriented manufacturers. The localisation efforts of compa-

nies in China will be made more difficult, as components manufacturers will be discouraged from investing."

This may smack of special pleading, but China's habit of abruptly changing the rules of the game is one of the main complaints of foreign business.

Foreign investors would not have drawn much comfort from remarks made by Mr Sun Zhenyu, vice minister of the ministry of foreign trade and economic co-operation (Moftec) who was quoted by the official China Daily earlier this week as saying without elaboration that "a batch of existing preferential tax breaks will be abolished".

Mr Sun's pledge that China would grant a "transitional period" to foreign invested projects that "have been approved or are under construction" will not be regarded as encouraging. The statement appeared to imply that a delay beyond January 1 would not be granted for the beginning of a phasing out of tax exemptions on equipment imports.

## Vietnam plan 'will revitalise banking'

By Peter Montagnon, Asia Editor, in London

Vietnam is to introduce a new payments system that will revitalise its banking sector, thereby helping spur sustained economic growth, the World Bank said.

The bank said it will provide a \$40m credit to help finance the new system which will involve the introduction of a national interbank clearing and settlement system for money transfers such as paper cheques and money payment orders.

The loan will also help finance a new system for the quick settlement of payment orders between branches of the same bank, as well as the design of customer accounting systems and financial audits to help the banks assess their capital needs.

Though Vietnam has undertaken far-reaching economic reforms to move away from central planning, the World Bank has long believed that its underdeveloped banking system remains a drag on growth.

Since legislation was passed in 1990 opening up the banking sector to new domestic and foreign institutions, the number of banks has risen to around 100, but the new entrants are mostly small private sector banks located in urban areas.

The four large state-owned commercial banks account for 87 per cent of the commercial banking assets and there is growing demand for credit from the private sector.

To meet this demand requires further development of the banking sector. The ratio of bank deposits to gross domestic product is well below that of other economies in transition, the World Bank said, and cash remains the predominant means of payment. There is four times as much cash in circulation in Vietnam as in other countries of the Association of Southeast Asian Nations (Asean).

Improving the system for payments transfers should help Vietnamese banks gather more deposits and create resources to extend credit to the country's growing private sector.

"Many people hold on to their money because the banking sector to date has simply not been equipped to handle the basic payments and services that support business transactions," says Ms Shilpa Patel, a World Bank official involved in the project.

But foreign bankers say Vietnamese banks will find it hard to attract new deposits unless they can revive public trust. This has been at a low ebb since the days of high inflation in the 1980s.

## ASIA-PACIFIC NEWS DIGEST

## Army tightens noose on Jaffna

The Sri Lankan army said yesterday it had isolated the rebel stronghold of Jaffna. Military spokesman Brig Sarath Munasinghe said the 2,000 Tamil Tiger guerrillas holding the town "have to jump into the sea, bite cyanide or surrender".

Sri Lankan President Mrs Chandrika Bandaranaike Kumaratunga hailed an imminent victory and said her army, fighting for Jaffna, was opposed by "ruthless terrorists" and not the island's minority Tamil community.

All citizens should celebrate victory "calmly and peacefully," Mrs Kumaratunga said in an address to the nation. "Do not in any way harass the Tamil community by word or deed," she added. She said the government wanted to negotiate a lasting political settlement to the 12-year war in which more than 50,000 people have died. Mrs Kumaratunga has ordered security forces to deal sternly with anyone trying to exploit the euphoria generated by an imminent army victory to stir up communal violence.

## UN food aid to North Korea

The United Nations World Food Programme will today deliver a 5,140 tonne consignment of rice to North Korea to help feed 500,000 people in the west and northwest of the country left destitute by recent floods.

The rice consignment is the first UN food aid ever sent to North Korea and is part of a relief plan comprising 30,350 tonnes of rice and 675 tonnes of vegetable oil.

Today's delivery follows UN estimates that the floods caused the loss of up to 1.5m tonnes of grain at a time when there was already evidence of child malnutrition.

Only Denmark and Finland have contributed to a WFP appeal for North Korea, forcing the organisation to use emergency funds for the shipment. Peter Montagnon, London

## India clears PepsiCo plan

India's Foreign Investment Promotion Board has cleared a proposal from PepsiCo, the food and soft drinks conglomerate, to make new investments of Rs3bn (\$60m) in its Indian operations, taking the company's total investment in India to Rs5bn.

The company has not been deterred by a recent setback when the Delhi state government cancelled its licence for an outlet of its subsidiary, KFC. The proposal requires final approval from the Finance Ministry's committee on foreign investment.

Central government officials are keen to push through foreign investment, especially in the food processing sector, before general elections next year. They are irked that the Delhi state government, led by the Bharatiya Janata Party, has cancelled KFC's licence.

Shiraz Siddiqui, New Delhi

## Egyptian warning mislaid

Egypt's ambassador tried to warn Pakistan a week before a suicide bombing killed 17 people, but his letter was misplaced until an hour after the attack, Pakistan's interior minister said yesterday.

Police are holding 10 suspects, including six Egyptians, in the attack that ripped apart Egypt's embassy on Sunday, said Mr Nasserullah Bahr, the interior minister.

Mr Bahr said that Ambassador Mohammed Noman Galal wrote to Islamabad's chief law enforcement official last week, saying Egypt was afraid "Islamist forces" would attack the embassy or hijack an Egyptian airliner.

But the letter, marked "most urgent," was misplaced and was not delivered to the official until after the blast, Mr Bahr said.

AP, Islamabad

## Pakistani official assassinated

A senior government official was assassinated in Karachi yesterday. Mr Ehsan Ali Shah, a deputy director of the provincial food ministry and brother of Mr Abdullah Shah, chief minister of Sindh, of which Karachi is the capital, was ambushed by four gunmen while he was driving to his office.

Mr Shah's driver and a friend travelling with him were also killed.

Unrest in Karachi has so far claimed more than 1,700 lives this year. Prime Minister Benazir Bhutto's government accuses the Mohajir Qaumi Movement, Karachi's largest ethnic political party, of being involved in most of the killings.

The MQM denies the charge.

Talks between the government and the MQM which began early this summer have failed to produce an agreement.

The MQM says it is fighting for more economic and political rights for its Urdu-speaking mohajir community members.

Farhan Bokhari, Islamabad

## Strike that sums up Australia's divide

Mine dispute goes to heart of party policy differences, writes Nikki Tait

Federal politics hangs like a cloud over the main hearing room of the Australian Industrial Relations Commission in Sydney, where the case of striking workers at the bauxite mining operations of the CRA group in Queensland is being argued.

At face value this has been an industrial relations matter, about the right to bargain collectively and "equal pay for work of equal value".

But no one pretends that this dispute begins and ends in Weipa, in far north Queensland. A federal election is less than six months away, and the fracas has big political ramifications.

Industrial relations policy is a key campaign issue, partly because it is a subject on which Labor and the opposition coalition have clearly distinct policies, and partly because of its relevance to the "battler" vote, which Labor, trailing in the opinion polls, needs to shore up.

Quite who, in 1996, constitutes a battler is a matter of debate. In the past, the image has been of the "blue-collar", manual worker, but the tag probably now includes both white-collar workers and "small business" people. However, it is still identified as predominantly male, in the 35-49 age-range, and oo a middle to lower income.

At issue are the rights of 70-plus Weipa workers who have refused to sign CRA's individual contracts and claim to have been penalised financially as a result.

Last weekend the ACTU



The ACTU's Kelly, left, and prime minister Keating, right

called for dock and coal strikes in their support and threatened to extend the action to other sectors. This only subsided when the AIRC intervened.

Superficially, a union "victory" in the Weipa case would bolster Labor's standing with this part of the electorate - demonstrating that the Australian Labor Party-Australian Council of Trade Unions nexus still protects the "working man".

Mr Bill Kelly, the ACTU's cherubic-looking secretary, has described the Weipa dispute as "the line in the sand".

On Tuesday the commission gave the Weipa workers an immediate pay rise, reducing the differential with their contract counterparts. Now it is hearing arguments - spearheaded by Mr Bob Hawke, the former Australian prime minister

who was called in by ACTU to present the workers' case - for pay parties.

But the ACTU, by raising the tempo of the dispute, has also exposed how far industrial relations legislation, enacted under Labor, has already changed the labour market's dynamics.

The 1993 industrial relations reform act was a hard-won compromise between the union movement and the government of Mr Paul Keating, the prime minister, with the former agreeing to facilitate "enterprise-based bargaining" (as opposed to the traditional system of national awards) in return for having some basic safeguards, such as the right to strike, enshrined in law.

Repeatedly, AIRC members hearing the Weipa case have noted that the new regime has curtailed their powers. More

simply, it has been pointed out that CRA, one of the country's largest mining companies, 49 per cent owned by Britain's RTZ, implemented its controversial individual contract policy under this Labor-derived legal framework.

The company simply offered workers more than the union-negotiated award payments if they agreed to relinquish their collective bargaining rights. CRA, which has used this tactic to switch thousands of workers on to staff contracts over the past three years, maintains that employees in collective employment arrangements are always less productive than those on individual contracts, and thus the differential is justified.

Labor has depicted CRA's behaviour as a microcosm of the policy of the opposition coalition, where collective

rights and safeguards would be sacrificed in the name of industrial efficiency.

Ministers have also argued that a government led by Mr John Howard, the opposition leader, would enunciate the mediating powers of the AIRC in its efforts to further labour market liberalisation. Industrial disruption would thus escalate, says Labor.

"What this dispute has made clear, is that a Howard-led government would basically stab the commission in the stomach, it'll remove it from the process," warned Mr Keating in parliament yesterday.

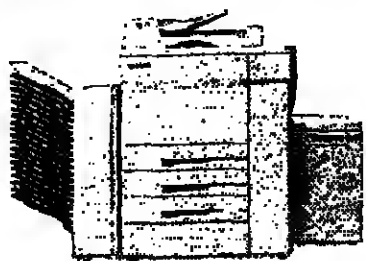
How all this plays with the electorate is harder to assess. However, many Australians did seem alarmed at the resurgence of secondary industrial action.

Mr Don Argus, chairman of National Australia Bank, summed up those fears when he said that in an increasingly connected world and with a reputation to live down, Australia could not afford to be seen doing this.

Even Ms Deirdre O'Connor, president of the AIRC, made sure the coalmining unions were trying to persuade members back to work before she would rule on the dispute. "I'm not going to sit here... while the economy is suffering," she commented.

As far as votes go, the question may be whether the battler - be they blue collar workers or small business operators - think the economic gains from the Howard approach can offset the likely loss of protection.

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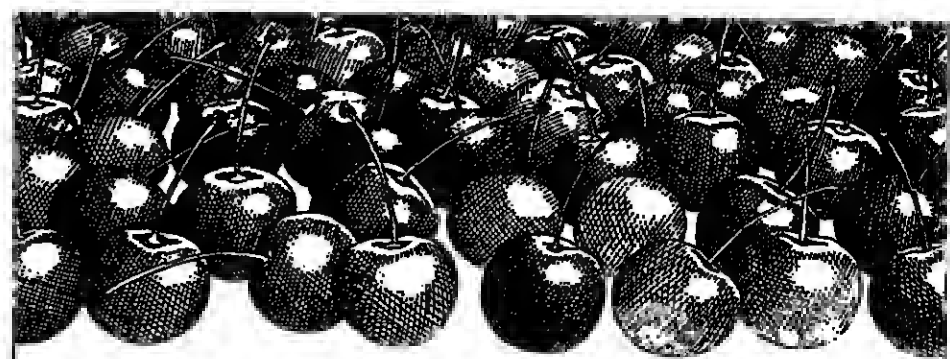
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Power Station	Capacity (MW)	1995/96 Seasonal Output (GWh)	1995/96 Seasonal Output (TWh)
14	1,000	1,000	1,000
15	1,000	1,000	1,000
16	1,000	1,000	1,000
17	1,000	1,000	1,000
18	1,000	1,000	1,000
19	1,000	1,000	1,000
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97	1,000	1,000	1,000
98	1,000	1,000	1,000
99	1,000	1,000	1,000
100	1,000	1,000	1,000



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## NEWS: WORLD TRADE

## Port of Aden poised to compete in region

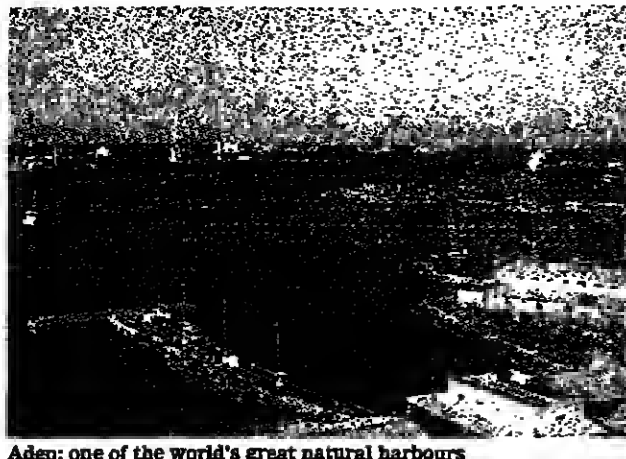
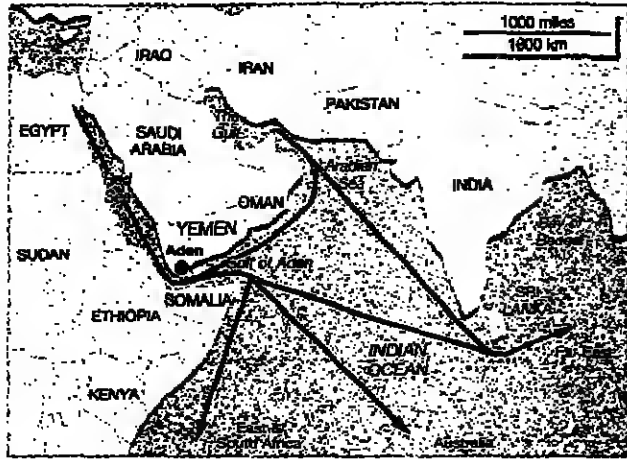
Robin Allen on a decision in the next few days on one of two international consortia development plans

The port of Aden could soon be competing with Dubai and Jeddah as a transshipment terminal for the Red Sea, East Africa, the Gulf and the Indian sub-continent if plans before the Yemeni government are approved.

For two months Aden's Free Zone Authority (FZA) has been studying proposals by two consortia to revitalise the port and develop a free zone. It is being helped by legal, financial, and port engineering experts funded by the British government's Overseas Development Administration (ODA) under a contract with KPMG (Klynveld Peat Marwick Goerdeler), President Ali Abdullah Saleh's government, acting on FZA recommendations, is expected to give the go-ahead to one of the two rival plans in the next few days.

Investors however are concerned the FZA, a recently-established political entity with no first-hand experience of port or free-zone management, should base its decision purely on advice from port experts.

For more than 100 years until 1967 Aden was regarded by shipping companies as one of the world's great natural harbours and busiest duty-free and bunkering ports. Subsequent events, which included



Aden: one of the world's great natural harbours

four civil wars, have reduced it to a relic of the 1960s.

Unlike Yemen's small and diminishing supplies of oil and gas, the port is a renewable asset and has in recent years, largely as a result of professional management, been able to finance a \$15m of expansion from its own revenues.

The two consortia are UK-based MBI International Group and Yemen Investment & Development Company (Yem-Inco), a local subsidiary of Saudi Economic Development Company (Sedco). The total cost of each development plan would be about \$500m spread

over seven to 10 years. Neither proposal requires any funding from Yemen's cash-strapped government.

The MBI group includes Vanguard International, part of the affiliated Guernsey-based J.J. Worldwide group, the UK's Halcrow International Partnership and Port of Singapore Authority (PSA).

MBI's proposal covers a three-phase construction, on a build-operate-transfer basis, of a container terminal on the port's north shore. Phase one would involve building two berths for the largest "Panamax" container ships now in

service (so-called because they are too large to transit the Panama Canal), dredging the harbour channels and building a container yard. Phases two and three would concentrate on expanding gantry cranes and other facilities so the terminal could handle an annual throughput of up to 3m 20-foot equivalent units (TEUs).

The contract with the FZA would entitle MBI to property and lease rights. MBI's start-up capital of \$120m would be provided by the shareholders. The rest would be covered by international banks, the International Finance Corporation, the

World Bank's private sector affiliate, and export credit agencies, particularly for the equipment.

Equity partners of the Yem-Inco/Sedco consortium are Dallas-based property developers Alliance Development Corporation, owned by Mr Ross Perot Jr, P&O (Australia), whose parent company operated Aden port until 1967, and London-based power contractors AES. Sedco has retained Denver-based Menares Corporation as project manager.

Yem-Inco's basic plan is more broadly conceived. It also envisages building a transship-

ment hub, by channel-dredging and upgrading the existing Ma'alla terminal at a cost of some \$115m. But it would also involve spending some \$60m on a free zone area, and includes plans to spend \$60m over two years to provide a 120MW power station, and to modernise Aden's airport at Khormaksar. Construction of a 9,800 sq m world trade centre has also been discussed.

Menares has secured a \$18m equity allocation from Deutsche Bank in the form of a "special programme development fund". Equity investment of an initial \$25m would be supplemented by revenue streams, equipment from the US Federal Aviation Agency for the airport, and funds from international lending agencies as well as through export credit agencies.

Desperate for aid money and already in talks on economic reform with the International Monetary Fund and the World Bank, which could provide a \$200m three-year loan, the government knows that a delay "beyond November 30", according to one source involved in the negotiations with the FZA, "would seriously undermine what little credibility President Saleh still has with the international community".

## GM in talks on integrated car plant in Poland

By Kevin Done, East Europe Correspondent

General Motors of the US and the Polish government have begun formal talks on GM proposals to build an integrated car manufacturing plant in Poland with an investment of up to DM550m (£352m).

Mr David Herman, chairman of Opel, GM's main European subsidiary, said yesterday that the company was aiming to build a plant on a greenfield site with a capacity to assemble 70,000 to 100,000 cars a year.

Following talks with Mr Klemens Sieracki, Polish minister of trade and industry, Mr Herman said the two sides would meet again in December with a view to refining the agreement on conditions for the investment in January.

Final approval from the GM board is expected during the first quarter next year. Production is planned to begin by March 1998.

Confirmation of the GM plans comes shortly after the US vehicle maker lost its bid against the Daewoo group of South Korea to take control of FSO, the state-owned carmaker based in Warsaw. Daewoo is taking a 70 per cent stake in FSO and has pledged to invest \$1.2bn (£762m) up to 2001.

With Fiat of Italy also firmly established in Poland following its earlier takeover of FSM, the country is emerging as a centre for vehicle manufacturing in central Europe.

Mr Herman said yesterday that GM had decided to open a regional components and materials purchasing office for central Europe in Warsaw, and that it intended to support the development of the Polish supplier industry.

GM components purchases in central Europe are expected to rise to up to DM1.5bn a year by 2000, he said, with Poland accounting for around 40 per cent of the total. The group planned to integrate supplier companies in central Europe into its European Opel vehicle production network.

Mr Herman said that the group had considered 43 possible locations for the new assembly plant. A final site had not yet been chosen, but the plant would be built in southern Poland within a 100km radius of Krakow in order to be close to both the main concentration of Polish components suppliers and to suppliers in the Czech Republic.

GM is aiming to reach a local content level of more than 60 per cent with the output of a low-cost family car aimed chiefly at the domestic Polish market and at other markets in central and eastern Europe. It is expected to build a modified version of its existing generation Opel/Vauxhall Astra using a high level of Polish materials including steel. The new plant will include a press shop, that could also produce parts for west Europe, said Mr Herman.

## Bumpy road ahead for world truck makers

By John Griffiths

The world truck market is about to go into a decline from which it will not recover until early next century, according to the Economist Intelligence Unit.

The forecast applies to trucks of six tonnes and upwards, and contrasts with sales projections for lighter commercial vehicles, which show uninterrupted growth totalling 20 per cent over the next five years.

The trucks sector will be hit from next year by cyclical downturns in the West European and North American mar-

World commercial vehicle sales forecast (000s)						
	1995	1996	1997	1998	1999	2000
Trucks	1,038	984	908	845	789	7,083
Light vehicles	4,385	4,568	4,754	5,020	5,132	5,231

Source: EIU

final assembly operations expanded beyond traditional markets to many parts of the developing world, particularly India, Mexico and the Pacific Rim.

Japanese truck makers remained in the weakest position because of their high costs and the strength of the yen; however the increasingly-proclaimed threat from South Korean rivals was widely overestimated, the EIU said.

Meanwhile market analysts DRI McGraw-Hill, in a separate report on light vehicles such as leisure four-wheel-drives and multi-purpose vehicles (MPVs) such as the trend-setting Ren-

ault Espace, warns that the small but fast growing MPV market in Europe may stabilise at around 450,000 units. This would leave manufacturers, who are currently crowding into the sector with many new products, with a severe overcapacity problem, of around 100,000 units a year.

World Commercial Vehicle Forecasts 1996 Edition, Economist Intelligence Unit, 15 Regent Street, London SW1Y 4LR. £595/£390. World Light Truck Industry Forecast Report, DRI/McGraw-Hill, Wimbledon Bridge House, 1 Hartfield Road, Wimbledon, London SW19 3RU. £4,000.

## Coca-Cola targets central Asia

By Kevin Done, East Europe Correspondent

Coca-Cola, the world's largest soft drinks producer, has opened a regional office in Istanbul to use Turkey as the springboard for expansion into Central Asia, where it is planning to invest more than \$100m in the next two years.

Mr Neville Isdell, president of Coca-Cola's Greater Europe group, said the company had already exported \$30m of supplies and equipment from Turkey to the region in the last two years.

Coca-Cola has formed an alliance with the Anadolu group of Turkey, the largest Turkish brewer, which has the Coca-Cola bottling rights for Turkmenistan, Kyrgyzstan, Kazakhstan, Azerbaijan and parts of southern Russia.

The US beverage group is expanding its operations too in Turkey with the opening of two new bottling plants following an investment of \$64m. Along with its bottling partners, it has doubled its capital investment in Turkey to \$250m in the past two years.

The two plants, located in the cities of Bursa and Mersin, will be owned and operated by Maksem, which itself is wholly owned by Atlantic Industries, a subsidiary of Coca-Cola.

## China says time is ripe to join WTO

By Tony Walker in Beijing

The time was ripe for China to join the World Trade Organisation following its announcement of substantial tariff cuts at the recent meeting of the Asia Pacific Economic Co-operation forum, a Chinese official said yesterday.

Mr Shen Guofang, a foreign ministry spokesman, said China had made "unremitting efforts" to join the WTO and conditions for entry had "basically become mature".

But in Beijing western officials monitoring negotiations on China's accession to WTO said Beijing still has a long way to go to satisfy entry requirements. While they welcomed China's announcement that it was reducing duties on 4,000 imported items by 30 per cent, they noted that tariff reduction was only part of the requirement for entry to the world trade body.

China has not yet provided details of items on which tariffs will be reduced, nor has it outlined its plans for lifting quotas on more than 170 products. Beijing may withhold this information until early next month when negotiations resume in Geneva on China's entry to the WTO.

China's decision to cut tariffs will give a sharper focus to the negotiations. Beijing clearly hopes its gesture on tariffs will help accelerate the negotiations.

But other vexed issues are certain to bedevil the negotiations.

These include demands for greater access to the Chinese market for service institutions such as foreign banks and insurance companies, improved transparency of rules and regulations governing trade and commerce, and greater protection for intellectual property rights.

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Michael Roberts,  
Industrial Development Board for Northern Ireland,  
11 Berkeley Street, London W1X 6BU.  
Tel: (0171) 493 0601 Fax: (0171) 499 3731.  
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For further information, please contact:

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Freshfields, Frankfurt  
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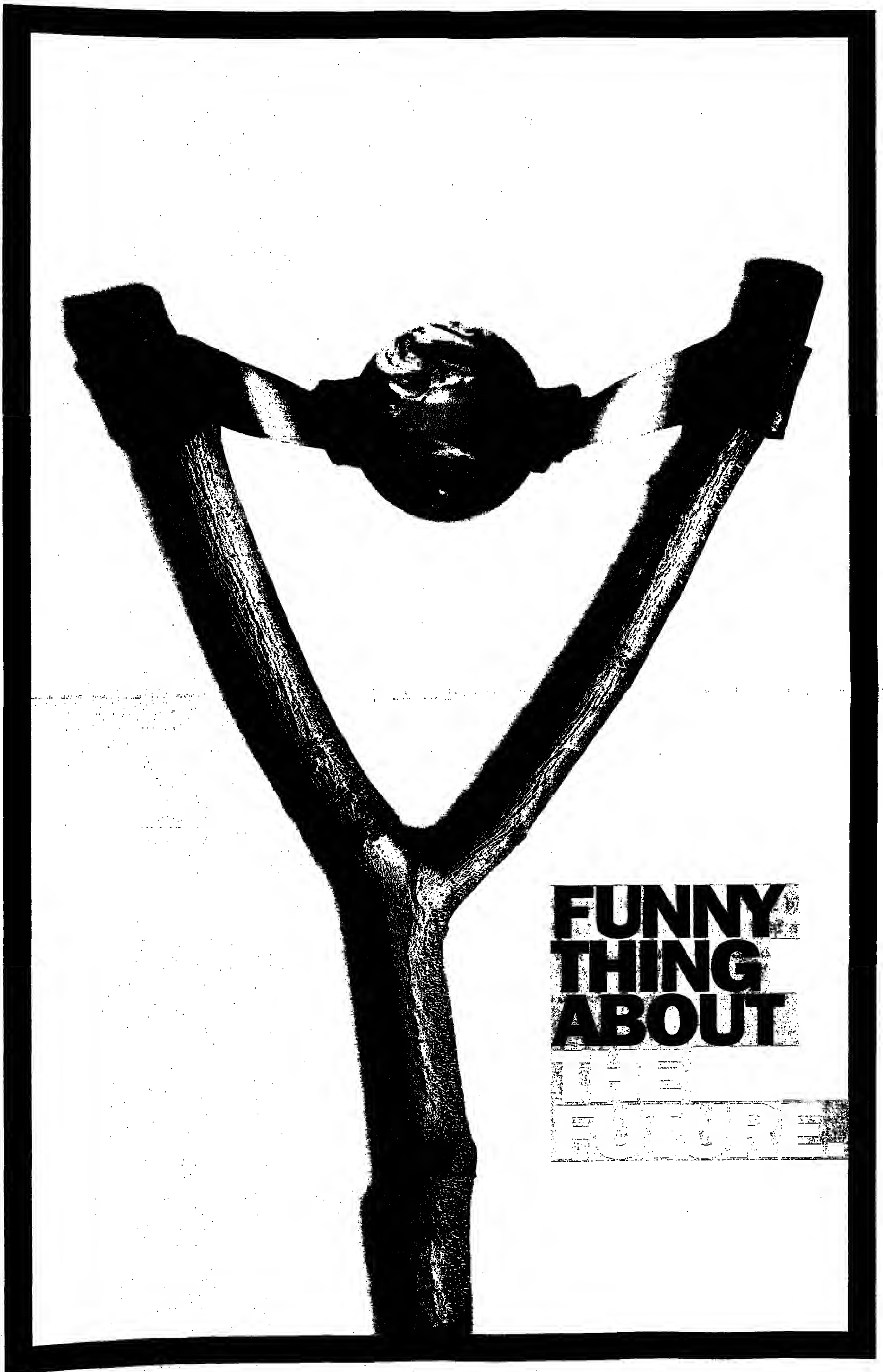
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## NEWS: INTERNATIONAL

# Mubarak cracks down on Islamists

By James Whittington in Cairo

Egypt's President Hosni Mubarak yesterday moved decisively against the country's oldest and most popular Islamist organisation, the Muslim Brotherhood, after years of turning a blind eye to many of its activities.

A military court sentenced 54 men to between three and five years in prison, some with hard labour, after a controversial conspiracy trial against 81 middle-ranking members of the movement.

At the same time, security forces closed the group's headquarters in central Cairo.

The action is the biggest blow to the Brotherhood since the purges and mass arrests by the nationalist president Gamal Abdul Nasser in the 1950s and 1960s.

Yesterday's events were the culmination of a strategy adopted about a year ago by President Mubarak's government aimed at repressing the country's biggest and most effective opposition movement. In parliamentary elections next week the Brotherhood, although technically banned, is running more than 150 candidates, as independents.

Established in 1928 by Mr

Hassan al Banna, the Brotherhood is the prototype for modern Islamist parties throughout the Middle East and North Africa. In Egypt it has remained faithful to its roots, aiming to create an Islamic state through mainly peaceful means. Much of its work is charitable: it sponsors schools, training colleges, hospitals, mosques and food kitchens. It is estimated to have hundreds of thousands of members. Although banned by President Nasser in 1954, the movement was courted by President Anwar Sadat and until recently tolerated by Mr Mubarak.

Observers in Cairo say the change in Mr Mubarak's attitude towards the Brotherhood occurred when Egypt's security forces gained the upper hand against Islamic militants' campaign of terror in the main cities and tourist sites.

Government officials began to lump the Brotherhood together with militant groups such as the Gama'a al Islamiya and al-Jihad, despite protestations from the movement that it had nothing to do with them.

Hundreds of the movement's members have been arrested since January, intensifying after the president survived an

assassination attempt by Islamic militants during a visit to the Ethiopian capital Addis Ababa in June. However, to avoid an all-out confrontation, the leadership was left untouched and the movement was allowed to continue most of its activities, including standing in Wednesday's elections.

"There are people in the government who are convinced that the Brotherhood has been helping the terrorists," said one diplomat. "Whether or not they have any evidence to prove this remains to be seen. But the president has obviously sanctioned a clampdown, albeit a cautious one, to eliminate the movement on a national level."

The cases against the 81 defendants were referred to the military courts in September. The charges include holding illegal secret meetings, having links with terrorist groups and trying to re-activate an illegal organisation. The trials caused controversy in Egypt and were condemned by human rights groups such as Amnesty International.

Previously the military courts - which unlike the civilian ones are considered quick, ruthless and efficient - had been reserved for Islamist terrorists. The defendants from the Brotherhood consisted of prominent members of society including doctors, academics, lawyers and journalists. Some of the sessions were described by independent observers as farcical.



Essam el-Eryan, a leader of the Egyptian doctors' association, is led from the military court

The move against the Brotherhood is seen as an attack on a new generation of leaders of the movement - the most prominent being Mr Essam el-Eryan and Mr Abdelmonem Abul-Futoh, who were both

sentenced to five years with hard labour. Nearly all the movement's leaders are over 70 and have been under increasing pressure to give way to younger activists.

The closure of the movement's headquarters, which has been used openly by the Brotherhood since 1972, means that any meetings from now on will have to be organised covertly with the risk of further arrests.

Despite the clampdown, members of the Brotherhood

remain defiant. Mr Mohamed Abu Katoush, who has been repeatedly arrested for campaigning for a parliamentary seat in the Cairo slum of Boulaq, says that the government's actions will in the long run prove ineffective.

"We are used to reorganising ourselves in the face of repression and this time will be no different. We know this government is unpopular and has no real legitimacy. In the end it will have to go but we will still be here," he said.

## INTERNATIONAL NEWS DIGEST

## Shell turns on its accusers

Royal Dutch/Shell yesterday accused environmental campaigners Greenpeace, Friends of the Earth and the Body Shop of "lying" after it emerged that a "recent" photograph of a gas flare used to illustrate a full page advertisement was taken nearly three years ago. The advertisement was part of a campaign to boycott the giant oil company because of its activities in Nigeria.

"We are tired of people telling lies. We have nothing to hide," said Mr Brian Anderson, Shell's managing director in Nigeria, at a media briefing in London.

The Sunday newspaper advertisement carried a photograph of a flaring gas pipe, with the headline: "Dear Shell, This is the Truth. And it Stinks."

The text below asserted: "This picture was taken recently in Ogoniland - the part of Nigeria that Ken Saro-Wiwa and the Ogoni people have been campaigning to defend for over thirty years."

Two weeks ago the Nigerian government provoked international outrage and calls for oil sanctions when it executed Mr Saro-Wiwa and eight other campaigners.

Shell yesterday showed a film taken during a helicopter tour of the region this week. None of the gas outlets were being flared, and the presence of undergrowth, which cannot survive the heat of burning gas, indicated that no flaring had taken place for some time.

Asked to comment, Friends of the Earth said the photograph had been taken in January 1993, but denied its description as recent as "a completely legitimate use of the word."

A Greenpeace spokesman said the photograph was "as recent... we can get". Mr Anderson said the company would lodge a complaint with the British Advertising Standards Authority over the advertisement, which called for a boycott of Shell products. Shell stopped its activities in Ogoniland two years ago following civil unrest in this part of southern Nigeria.

See Editorial Comment

## Algeria's FLN shifts tactics

Algeria's National Liberation Front (FLN), the former ruling party, yesterday sent a warm letter of congratulations to newly elected President Liamine Zeroual.

Only a few weeks ago, FLN leaders were calling for a boycott of an election they considered a farce aimed at lending legitimacy to an illegal regime.

The failure of the boycott - according to government figures nearly 70 per cent of the electorate voted last week - seems to be forcing a change of tactics on the part of the opposition, and a readiness to encourage Mr Zeroual to relaunch discussions aimed at resolving Algeria's four-year crisis.

Mr Mehri's letter follows a similarly conciliatory one by Mr Rabah Kebir, spokesman for the leadership in exile of the Islamic Salvation Front (FIS). Mr Zeroual's election marks a setback for the FLN. The former ruling party moved into opposition in 1992, after the army cancelled legislative elections the FIS was expected to win.

In last week's election, however, many FLN supporters appear to have voted for Mr Zeroual.

Algerian government officials say the president is now contemplating starting his own party to maintain his support in preparation for legislative elections, which could be held next year.

Roula Khalaf, London

## Iraq remains defiant on oil offer

Amir Muhammad Rasheed, left, Iraq's oil minister, yesterday reiterated that his country rejects the United Nations offer of a one-off sale of oil to pay for food and other humanitarian needs. He insisted, at a news conference in Vienna, that the terms of the UN offer, under which the distribution of the aid would be strictly supervised, infringed Iraqi sovereignty.

"The negotiations with the UN are futile unless there is a change of heart," the Iraqi minister said after a Vienna meeting of the Organisation of the Petroleum Exporting Countries (Opec). The UN will not lift the 1990 Gulf War oil embargo until satisfied that Iraq has destroyed all its potential to unleash weapons of mass destruction.

But it has separately offered Iraq a one-off sale of oil under supervision to pay for urgent food and other humanitarian needs. Baghdad has regularly turned down the offer on grounds that the terms infringed its sovereignty.

The offer under UN Security Council resolution number 986 would let Iraq sell oil worth up to \$2bn over six months.

Any suggestion that some Iraqi oil might be returned to an already soft market unnerves traders. Even with up to 2m b/d of Iraqi exports shut in by the sanctions, prices languish below \$17 per barrel.

Reuters, Vienna

## World's insurers in green pledge

More than 40 leading insurance groups have pledged to promote sustainable development and sound environmental practice in their own companies and among their clients. Representatives of 20 insurers were in Geneva yesterday to sign a Statement of Environmental Commitment, which has the backing of a further 23 companies.

The steering committee which drew up the statement in co-operation with the United Nations Environment Programme (UNEP) includes Britain's General Accident and NFI (National Provident Institutions), Germany's Allianz, and Norway's Uni Storebrand.

UNEP points out that insurance companies have a strong financial incentive to reduce environmental risk. "A few major disasters caused by extreme climate events or toxic waste spills could literally bankrupt the industry in the next decade," says Mr Hans Alders, UNEP's European director.

Insurers can set contract terms so as to encourage good environmental management by industry. As big investors, they can also influence the policies of companies whose shares they hold and exploit the opportunities for "green" investments. NFI, for instance, manages two "green" funds.

Frances Williams, Geneva

## Global gloom falls on business

Businesses around the world are less confident about their sales than at any time since the beginning of last year, according to the latest quarterly survey by Dun & Bradstreet, the business information group.

Optimism about sales has deteriorated for five successive quarters, with the decline proving particularly sharp in the Pacific region and the Americas. Optimism about sales in Europe has declined only a little.

On profits, Germany, Italy and the Netherlands were the only countries to see optimism rise significantly in the latest quarter.

Companies around the world are also less confident about raising prices, with confidence in this area dropping to its lowest level since the fourth quarter of 1994. The biggest upswing in price expectations came in Switzerland, albeit from a very low starting point.

The world average of employment expectations was little changed in the latest survey, with a slight pick-up in Europe and a slight deterioration in the Pacific region. Expectations in North America were flat.

Robert Chote, Economics Editor

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## NEWS: THE AMERICAS

Doubts over Mexican monetary policy blamed for currency's fall, write Stephen Fidler and Leslie Crawford

## Ghost of peso's plight continues to haunt investors

The renewed spell of Mexican peso weakness has worried those who thought the worst of the crisis sparked by last December's devaluation was over. Although it has recovered from its lows, the currency's fall has led to renewed anxiety not only in Mexico City but across Latin America, where governments worry about the contagion effects of Mexico's troubles, and in Washington.

For the administration of President Bill Clinton, which arranged and contributed \$20bn to a bail-out package for Mexico, the country - along with Haiti - represents the main potential trouble spot in the western hemisphere as he seeks reelection next year.

If this much is clear, it is less obvious what is behind the latest bout of peso weakness. Asked if he was worried about the currency's tribulations, Mr Jesus Silva Herzog, Mexico's ambassador to the US, said this week: "I am concerned because we do not know what is causing it."

When institutional investors and bankers in the US are asked for explanations, almost all blame a lack of credibility in the Mexican government. "The bottom line," said a senior Mexican finance official, "is that the markets have not forgiven us for mishandling the devaluation."

While the government from President Ernesto Zedillo down is criticised, many in the financial markets remain highly sceptical about the way the Bank of Mexico is handling monetary policy.

Part of the central bank's credibility gap stems from its continuing insistence that it made no policy

mistakes in 1994. This contradicts the widely held view that the bank's decision to expand domestic credit in 1994, to offset the contractionary effects of shrinking international reserves, sealed the fate of Mexico's pegged exchange rate regime.

When Mr Miguel Mancera, the central bank president, said in late October that the monetary base would be expanded by up to 40 per cent by the end of the year to accommodate the usual seasonal surge in demand for money, the financial markets took fright and the bank was forced to issue a statement that the expected increase did not imply "the adoption of an expansionary policy stance."

Indeed, say independent US economists, such an increase would have left the central bank within its monetary targets set in March and in any case the actual expansion will be far below the 40 per cent maximum.

However, some argue that the bank's problem is precisely its quantitative targets for money supply, which have essentially been abandoned by the main central banks in the industrialised world.

Critics argue that it is impossible at any point in time to know whether Mexican monetary policy is tight or loose, because changes in the economy and financial system are doing unknown things to money demand.

Economists at Chase Manhattan Bank in New York argue that the current peso problems "reflect a weak monetary regime" and that the central bank should switch to targeting interest rates. They say



Zedillo: under fire

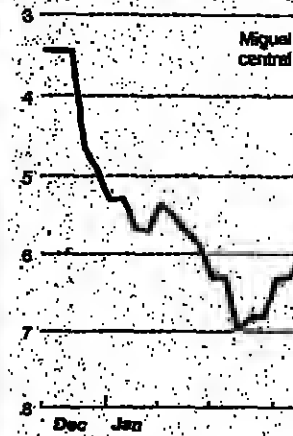
that it is too easy, given Mexico's thin financial markets, for actors other than the central bank to manipulate both interest rates and the exchange rate and thereby send inappropriate market signals.

"Under the current monetary regime, there are no incentives to stop banks, under financial distress, from pushing interest rates down sharply... and currency players from speculating indefinitely against the peso," said Chase senior economist Mr José Barriomueve.

Suggesting it implied a shift to a so-called dirty float, he applauded the central bank decision to intervene in support of the peso this month. He says speculation in the peso - where three Mexican banks last year accounted for half of all

## Mexican peso: a problem of credibility?

Against the dollar (pesos per dollar)



Source: FT Index



Miguel Mancera, central bank chief

trading, according to the International Monetary Fund - could be reduced further through a Brazilian-style currency auction.

However, some bankers in New York are worried that a sharp fall in reserves caused by central bank intervention risks setting off another panic.

There remains, for some observers, a more fundamental question. "There has been a drop in demand for all Mexican financial assets, and that includes money and securities," says one Washington-based economist. The Mexican authorities have responded conventionally to this by raising interest rates in order to increase the attraction of these assets.

Yet the effectiveness of this under

current Mexican conditions is in doubt. When short-term interest rates rose to 80 per cent, as they did briefly last week, investor concerns

intensity about the depth of the recession and the health of the banking system.

The market is concerned about the bad quality of assets held by Mexican banks," says Mr Jim Nash, economist at Nomura Research Institute in New York. According to one senior banker in New York, consumer loans are performing particularly badly following the explosion of credit card finance up until mid-1994.

The National Banking Commission has yet to publish consolidated accounts for the third quarter. But, based on third quarter results pub-

lished by individual banks, bank analysts at Salomon Brothers estimate past due loans increased to 14 per cent of the banking system's total portfolio at the end of September, compared with 10.3 per cent three months earlier.

The estimate, which excludes banks taken over by the government, far exceeds the system's capital base and, partly because of this month's high interest rates, is expected to grow further in the fourth quarter despite the relief schemes now in place.

Some investors have also begun to consider Mexico's future financing burden. While debt repayments will not match 1995's extraordinary total - the government alone faced \$41.4bn of debt maturities in foreign currency this year falling to only \$8.9bn in 1996 - analysts say the country will need to call continually on world capital markets, with 1997 and 1998 being particularly important.

Provisional figures from the Institute of International Finance, the Washington-based organisation owned by financial institutions around the world, suggest Mexican public and private sector foreign debt maturities will rise from \$13.4bn next year to \$17.5bn in 1997 and \$19.4bn in 1998. Repayments fall sharply in 1999 to \$7.7bn and in 2000 to \$5.5bn. The estimates assume no further drawdowns from the US credit line and only one more, this year, from the IMF.

The figures suggest unless financial market attitudes to Mexico improve the country will continue

to face difficulties for a considerable period. Despite this, government officials say they are determined to stick to their current strategy.

This means they are not heeding the calls by two groups of economists - one concentrating on the real economy and the other on the financial system - who say the depreciation of the peso is nothing to worry about and that a further devaluation would be beneficial.

One group led by Mr Rudolph Dornbusch of the Massachusetts Institute of Technology, argues that a looser monetary policy and a still weaker peso is needed to get the private economy moving. He agrees investors will not like it, but says investors will exit anyway because of political and other concerns.

Another group, led by Mr Guillermo Calvo of the University of Maryland, argues that a sharp peso depreciation and lower interest rates would lead to a sharp rise in inflation, which would feed an inflationary spiral. It would also be a hazard problem in which those who have behaved most recklessly in the past benefit most. "If you liquidate bank assets, you also have to liquidate the liabilities," he said.

## Garrulous Gingrich gives Republicans cause for concern

By Jurek Martin in Washington

As American families consumed their Thanksgiving turkeys yesterday, the more politically minded among them might be excused for wondering whether Congressman Newt Gingrich, the Speaker of the House of Representatives, was turning into one.

Rarely has a politician fallen so far and so fast in the public esteem as Mr Gingrich. Widely hailed even by his critics not so long ago as "the most powerful Speaker this century," or at least within living memory, he is now increasingly

seen as one of the largest obstacles to the successful completion of the Republican agenda of which he was a leading architect.

He is in public hot water again for some typical remarks after a session with Republican governors in New Hampshire on Tuesday. He said that a singularly gruesome triple murder in Illinois was the direct result of "the welfare state" and "the moral decay" which it had generated.

This is not the first time Mr Gingrich has ventured into this territory. He blamed a mother's murder of her two children in South Caro-

lina last year on President Lyndon Johnson's Great Society social legislation (which, he said, had killed more people than LBJ did in Vietnam) and once described the complex sexual affairs of film director Woody Allen as the "perfect model of Clinton Democratic values."

His critics have had a field day with his latest excursion. A Washington Post editorial yesterday said: "Mr Gingrich affects to be an intellectual, an historian and a moralist. These odd formulations of his fall on all three counts."

Mr Mike McCurry, the White House press secretary who loves to

take the Speaker on, sarcastically dismissed them as "some kind of sociology course."

If such reactions were to be expected from his opponents, the controversies the Speaker sparks are also beginning to worry his Republican colleagues. They are about to enter intense budget negotiations with the administration in the knowledge that public opinion has turned against them in good measure because of Mr Gingrich's comments and attitude, of which his complaints of being snubbed by the president aboard Air Force One are merely the most egregious.

Mr Gingrich may not even be a central member on the Republican team. Those burdens look likely to fall on three budget experts, Senator Bob Dole, the majority leader, and Senator Pete Domenici and Congressman John Kasich, heads of the respective budget committees.

Leading the administration side will be Mr Leon Panetta, White House chief of staff but previously a House budget committee chairman and a central player in the 1990 budget accord signed by President George Bush. Mr Gingrich led an unsuccessful fight against that agreement because of its tax

increases and may look askance at any compromise he and his fellow Republicans do not like.

The underlying doubts about Mr Gingrich - centred on whether he could make the transition from being a bomb-thrower of the Republican right, his self-designated role since he was elected to the House from Georgia in 1980, to the national stage as Speaker, a position that ranks third in constitutional seniority behind the president and vice president.

Sometimes he does play the more statesmanlike role. This week he was more conciliatory than Mr Dole

in not dismissing out of hand US participation in the Nato mission to enforce the peace in Bosnia, urging members to keep an open mind until they learned the details.

But this is more than offset by his love of the spotlight and perpetual tendency to run off at the mouth on any known subject, allied to a contempt for Mr Clinton and liberal values that he rarely bothers to conceal.

Over Thanksgiving, Mr Gingrich will decide with his family about a presidential run. Nobody thinks he will enter the race with his polling numbers.

## Of all the eggs in the basket



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## Menem blank cheque opposed

By David Pilling in Buenos Aires

Congressmen from the opposition and the governing Peronist party want President Carlos Menem to tell them precisely what use he would make of the emergency economic powers he has requested, resisting what many see as the granting of open-ended authority.

Last week Mr Menem asked Congress to declare a state of economic emergency, which would enable him to adopt discretionary powers to cut state entities, raise taxes and push ahead with privatisations.

He wants the powers to instigate what is being called State Reform II, a second phase of public-sector restructuring, which he says has become more urgent because of the pressing need to bring expenditure into line with tax revenues. This has fallen well below expectations in 1995 because of recession, raising serious concern about whether next year's budget can be balanced.

The national committee of the Radical party said it would oppose giving Mr Menem a "blank cheque" by means of an unconstitutional law that gives him a free hand to create more unemployment and to reduce wages.

Government officials are resisting pressure to provide too many details of which state bodies would be cut, or which taxes would be altered, fearing that to do so would provide lobbyists with ammunition to scupper the whole initiative.

It is thought that among the government's plans are to maintain VAT at 21 per cent for a further year.

After the Mexican devaluation, which rattled confidence in Argentina, the treasury raised VAT from 18 to 21 per cent, but the tax is due to revert to its previous level next April.

The government may also raise duty on beer and cigarettes and introduce income tax for judges and politicians, currently exempt.

It is also planned to phase out overlapping sub-secretariats and other government bodies.



Striking machinists outside Boeing's Seattle HQ rejected their own union's advice

## Author Clancy turns talent to cybercomics

By Christopher Perkins in Los Angeles

Tom Clancy, the acclaimed novelist, is to boldly go across the last great frontier left in the publishing world.

The author of bestsellers such as *The Hunt for Red October*, *Patriot Games* and *Clear and Present Danger* is working on a crew of comic book cyber-cops for BIG Entertainment, a small Florida entertainment company, who will star in a "graphic novel" due out next summer and feature in a series of adventures on the Internet.

Planned spin-offs from these futuristic FBI agents dedicated to bugging Internet crooks and cyber-terrorists in 2025, include on-line publication, films, CD-Roms, video games, T-shirts, backpacks, toys and even real novels - the type without pictures.

The man who once said surrendering a book to a film producer was like delivering one's daughter into the hands of a pimp, appears to have done a deal under which he and fellow author Mr Steve Piezzenik will get half the profits.

Mr Mitchell Rubenstein, co-founder of BIG E, says that while the company turned over just \$9m in its first 12 months,

come 1997 "and we go gangbusters". That is when the first of an expected series of feature and television films based on BIG E's stable of "entertainment properties" reach the screen.

Television and video deals involving Mr Clancy's *Net Force* are expected to be signed in the next few months. A leading film studio was among the earliest callers when news of the deal broke this week, Mr Rubenstein says.

Meanwhile, current projects include a hardback "novelization" of the monthly comic of Star Trek actor Leonard Nimoy's alien creations, *Primordials*. Warner Books, part of the Time Warner entertainment conglomerate, will bring it out on behalf of BIG E in time for Christmas. And Mr Gene Roddenberry, creator of Star Trek and father of Mr Nimoy's screen character, Dr Spock, is responsible for another BIG E creation, *Xander*, in the *Lost Universe*.

Mr Clancy, who claims he can write 1,200 manuscript pages of blockbuster in five months, says: "Net Force combines my love of science fiction, my fascination with computers and my long-standing interest in the FBI."

Add in fantasy, role-playing and games, as marketing experts point out, and you have the perfect mix for the young male adult audience.

The BIG E business formula is based on the fact that nine of the 10 biggest-grossing films ever were from the sci-fi and fantasy genre. They include *Indiana Jones*, *Jurassic Park*, *ET*, *Star Wars* and *Batman*. The Batman marketing phenomenon started out as a comic book. The hit movie, *Mortal Kombat*, began as a video game.

Despite its links with the Internet, BIG E's "21st century approach" to entertainment is also designed to reach into the consumer's pocket via the dull old shopping mall.

The company has latched on to a trend in which shopping centre developers are looking for ideas to replace department stores - disappearing under pressure from specialist retailers - as the "anchors" and attractions to their sites.

BIG E already has almost 40 "entertainment kiosks" in regional malls (favoured hang-outs of idling youth) which sell comics and games and feature banks of video monitors showing programming, music and advertising.

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# Telecoms watchdog savages BT in war of words

By Alan Cane

A powerful attack on British Telecom's business ethics was launched yesterday by Mr Don Cruickshank, the industry's watchdog, as the war of words between the two sides reached a new level of intensity.

Mr Cruickshank, director general of Ofcom, accused BT at a public hearing of failing to implement fair trading throughout its business. He suggested BT took the view there was no harm in carrying out an anti-

-competitive practice "unless and until the regulator intervenes".

At the hearing, the first of its kind concerned with regulatory matters, he complained: "I have found repeatedly the only way I can seek to control anti-competitive practices in relation to individual complaints has been to seek to change the rules rather than to apply them."

The focus of the hearing, attended by more than 300 people, was to debate a proposal put forward by Mr Cruickshank earlier this year, to give him widespread powers to root

out anti-competitive behaviour in the industry.

The proposal, part of a wide-ranging review of Britain's regulatory regime published in July, is designed to make it easier for him to attack such practices. BT's rivals have accused the company of tactics making it difficult for new competitors to enter the market.

Mr Cruickshank is concerned that BT's monopoly within the UK market has barely contracted, despite the emergence of 150 new licensed operators over the last few years.

Mr Cruickshank's criticism came as Sir Iain Vallance, BT's chairman, questioned the motives behind the regulator's proposal. Speaking at the Policy Studies Institute last night, Sir Iain said: "It is not clear what lies behind the director-general's ambitions to become an untrammelled competition authority as well as a regulator."

He accused Mr Cruickshank of seeking to drive down BT's market share "by any and all means that come to hand" at the expense of his other responsibilities.

BT is worried that Mr Cruickshank's proposal would give him the power of judge and jury with no recourse to a higher court.

Sir Iain said: "It is my belief that the director-general's current proposals preface a highly dangerous new form of regulation, with broad and undefined discretionary, or absolute, powers vested in a single individual."

Despite the sharp differences between BT and the regulator, Sir Iain backed Mr Cruickshank's recent suggestion that regulating UK tele-

coms was too much for a single individual and that a commission should take its place.

At the Ofcom hearing, Mr Wayne Gowan, chairman of the Cable Communications Association, said that competition policy had failed to control BT and provided no commercial redress for its rivals.

He said that if the price cap on BT's line rentals to customers was removed or relaxed, as proposed by Mr Cruickshank in his July review, new anti-competitive measures would be vital.

## Internet companies angered by BT

By James Harding and Paul Taylor

Ofcom is considering action against British Telecom's communications following allegations of anti-competitive practice in the market for Internet services.

The threat of intervention comes as BT is trying to win corporate customers from independent Internet service providers with cut-price connections through its fledgling BTNet division.

There have also been complaints to Ofcom from other Internet service providers about BT's plans to enter the consumer dial-up Internet market by the end of the year.

The small, but fast-growing independent Internet companies have been pressing Ofcom to penalise BT, which they believe has been abusing its dominant position to steal their customers.

In a letter to independent Internet service providers, Ofcom confirms that BT is using funds from other areas of its business to subsidise BTNet.

Although this cross-subsidy contravenes the rules of BT's licence, Ofcom says it is considering whether the subsidy is "unfair at this stage, as the company [BT] is still very much in its start-up phase".

"Ofcom will be monitoring the situation to ensure that an unfair subsidy does not take place at a time when the company should be meeting its own costs," the letter says.

Cross-subsidising is one allegation that has been levelled against BT by independent Internet companies.

Mr Peter Dawe, founder of Unipalm PIPEX, one of the leading Internet service providers to business in the UK, says that BT has taken his customers by offering a free service if they disconnect from PIPEX. "This is clearly anti-competitive practice," he says.

As yet, BT does not offer a service for individual consumers, but has confirmed it will launch a package aimed at this fast-growing market segment by the end of the year.

## Tower blocks set to win protection

Virginia Bottomley will today delight connoisseurs of 1960s tower blocks, when she announces that three classics of the genre in London - Centre Point, New Zealand House and Millbank Tower - are to be preserved in perpetuity, *George Parker writes*.

The national heritage secretary will agree that the three office blocks, which some architects have condemned as eyesores, should be given listed building protection.

Mrs Bottomley and ministerial colleagues will today announce decisions on 35 post-war buildings nominated by English Heritage for listing.

Others on the controversial list included a canteen in Dagenham, the CIS building in Manchester and the Heinz headquarters in Hillingdon.

For the first time ministers have taken into account the views of members of the public, about 2,000 of whom wrote to the department with their views on the proposed list.

Full details of Mrs Bottomley's decisions were unclear last night, but senior officials said she would list three of the most contentious tower blocks in London because of their "special architectural merit".

Centre Point, the waffle-like tower in central London, will be perhaps the most surprising choice. Built between 1961 and 1965 many believed it was completely out of scale with its surroundings.

## UK backs off EU recycling plan

By Neil Buckley

Mr John Gummer, the UK environment secretary, has backed away from adopting an industry plan designed to meet European targets on packaging recovery and recycling after complaints from companies in the sector that it was costly and unfair.

Packaging companies, meanwhile, have written to the department of the environment complaining that some of the UK's largest consumer products manufacturers - which back the plan - had used "strong-arm tactics" to persuade them to pledge support to the scheme.

The latest delay makes it increasingly unlikely the UK will have a scheme in place by

the deadline of July next year, imposed by the European directive on packaging and packaging waste. The directive requires EU members to recover between 50 and 65 per cent of packaging waste annually - rather than bury it in landfill sites - by the 2001.

Mr Gummer had prepared to announce today that the government would adopt a revised version of an industry plan originally put forward in June. But he told a meeting of MPs on Wednesday he had become aware industry was split over the plan, and he was extending the consultation process.

He has asked VWRAG, the industry body leading attempts to reach an agreement, to find a compromise by the end of this month. However, many

involved in the process believe an acceptable compromise may not be found before Christmas.

Packaging companies have complained they have been subjected to a concerted letter-writing campaign by consumer products groups - pressing them to write to Mr Gummer expressing their support for the plan - organised by the Food and Drink Federation, the food industry body.

Copies passed to the FT of letters addressed to packaging groups from three different food manufacturers all encourage this action. Two state copies of the packaging companies' letters to Mr Gummer should be sent also to them.

The Food and Drink Federation confirmed yesterday it had encouraged members to write

to packaging groups with a request to "clarify their position" on the plan, and emphasise the need for agreement.

But Mr John Wood, who deals with packaging issues at the Federation, said the letters did "not represent undue commercial pressure". He said: "It is not unreasonable to clarify what position one's suppliers are taking."

The so-called Shared Producer Responsibility plan, published in June, gained broad support across the packaging chain. But government insisted the plan should be modified to impose recycling targets on individual companies, and split the legal and financial responsibility for meeting the European targets across the sectors of the packaging chain.

## Clock change 'may happen in 1997'

By John Kampfer, Westminster Correspondent

The UK could move to West European time by the end of 1997.

Under parliament's arcane procedures, Mr John Birt, Conservative MP for Bournemouth West and a prominent advocate of moving Britain one hour forward to synchronise with neighbouring countries came top yesterday in the annual ballot for private members' bills.

Usually up to the first six successful members stand a good chance of having their legislation adopted.

Many backbenchers put their name in the hat without hav-

ing a clear indication of which cause to sponsor. However, Mr Butlerfill is among 160 MPs, split evenly among the parties, who are backing the time change.

Mr Butlerfill said he did not expect the government would block his legislation. "If I were a minister, given the opinion polls that show overwhelming public support for and the number of institutions on our side, I wouldn't try to stop it," he said.

He maintained his bill had nothing to do with EU harmonisation. "The last thing I want is for this to be portrayed as a European measure. There are many more compelling arguments," he said.

Business groups say dealings with European partners will be greatly enhanced by synchronising times.

The Daylight Extra campaign, which has been pushing hard for such a bill since a green consultation was introduced in 1989, said the measure had private support of the prime minister and senior cabinet colleagues. Publicly, the Home Office and its Labour shadow have adopted a "wait and see" approach.

Mr Patrick Kerr, of Daylight Extra, said the name of the new time zone for Britain was immaterial. "If they don't want to be associated with Central European Time, it can be called anything else," he said.

He anticipated the most likely date for a transfer would be October 1997, when British clocks would simply remain on summer time and not return to Greenwich Mean Time. The following March clocks would go forward, as usual, resulting in "double summer time".

Advocates say the reform would prevent road accidents and estimate energy savings of £200m and a further £1bn gained from additional tourist spending.

Opponents are likely to fall into three main categories: MPs with largely agricultural constituencies, many Scottish MPs, where darkness would be most pronounced in mornings, and hardline Eurosceptics.

# OIL PRODUCTION IN THE NIGER DELTA OF NIGERIA

As the major oil spill clean up contractor to the oil producing companies in Nigeria, we are obliged to state the facts concerning the measures the oil companies, as well as the Nigerian Government through the Nigerian National Petroleum Corporation (NNPC) have put in place to minimise the ecological damage to the Nigerian Environment.

At the 1981 Petroleum Industry & Nigerian Environment Seminar, it was agreed by the Government and oil producing company representatives, that a joint second-tier response body be set up to augment individual company's in-house spill response capability.

The following year, the eleven oil producing companies comprising NNPC, Shell, Mobil, Chevron, Nigerian Agip Oil Company (NAOC), Elf, Texaco, Agip Energy, Ashland, Pan Ocean and Dubai Oil Company, signed the Heads of Agreement setting up Clean Nigeria Associates (CNA) as a non-profit making voluntary association to combat oil spills inland and offshore of the entire Nigeria and its territorial waters.

Under the CNA, the members pooled resources calculated on the basis of their total production to purchase a large and comprehensive inventory of oil spill containment and clean up equipment including 4 seagoing Fast Response Vessels. The members also engaged the services of an independent contractor through competitive bidding to manage and operate the Oil Spill Response Bases located in Port Harcourt, Warri, Calabar and Kaduna.

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Models courtesy of The IFRA Group



# Power sector takeover probe hits shares

By David Wighton

Mr Ian Lang, the UK trade and industry secretary, threw the electricity sector into turmoil yesterday by referring National Power's £2.8bn (£1.36bn) takeover bid for Southern Electric and PowerGen's £1.9bn offer for Midlands Electricity to the Monopolies and Mergers Commission.

The unexpected move caused share prices to fall across the sector, in spite of speculation that Southern and Midlands, two of the largest electricity supply and distribution companies, may attract rival bids before the MMC reports by the end of March.

Some analysts suggested they might reactivate previous plans to merge with each other.

Analysts said a number of US companies might consider bidding for Midlands or Southern, but that prices of future bids might be affected by the uncertainty caused by the MMC referral.

All previous bids in the sector have been cleared by the government, in spite of widespread calls for MMC referrals, leading to the assumption that ministers were relaxed about the restructuring of the industry.

But Mr Lang said the bids by generators raised "competition concerns in

the generation and supply of electricity in England and Wales which merit investigation by the MMC".

Professor Stephen Littlechild, the industry regulator, welcomed the decision to refer the bids which would reverse the separation of generation and distribution introduced at the time of privatisation. He said the Department of Trade and Industry, which cleared Scottish Power's bid for Manweb, was not being inconsistent since Scottish Power had a limited share of the generation market in England and Wales. The Office of Fair Trading recommended that the bids be referred.

Mr Lang said the decision to make a reference did not in any way pre-judge the question of whether or not either merger might operate against the public interest. He added: "In general I do not believe that vertical integration is inherently objectionable whether in the electricity industry or elsewhere."

However, in these two cases, the structural change proposed could have an effect on the development of competition in the industry.

The generators argue that under their ownership the two regional electricity companies (reos) would be much stronger competitors in the

deregulated domestic electricity market after 1998. They also point out that the reos would represent a relatively small proportion of their generation. But Prof Littlechild said the MMC would have to consider how the market share might develop and whether, by reducing the uncommitted market, it would deter new entrants into generation.

Labour, which had called for all the bids to be referred, said the decision was inconsistent. Mr Richard Caborn, Labour's competition spokesman, questioned whether the move was linked to the proposed privatisation of the nuclear generator, British Energy.

## Brittan attacks 'paranoia' over monetary union

By Lionel Barber in Brussels

Monetary union in Europe is "more than ever likely to happen", Sir Leon Brittan, EU trade commissioner, said yesterday.

In a riposte to doubts expressed this week by Mr John Major, the prime minister, Sir Leon said Britain should not be "lulled into a false sense of security" that it was slipping from the agenda.

In a speech in London to the Federal Trust, a think-tank, he dismissed questions about France's capacity to join Germany in monetary union.

He described as a "paranoid conspiracy theory" the argument proposed by Mr Bernard Connolly, the Commission economist, who claimed in his recent book that France's true goal was to secure a more lax monetary policy for Europe.

Sir Leon urged Mr Major not to bow to pressure from Eurosceptics to rule out participation in a single currency in the lifetime of the next parliament. "There is no advantage in deciding this issue prematurely. Indeed, our partners would think us crazy," he said.

Sir Leon also tackled Mr Major's argument that the launch of a single currency would split the EU between "ins" and "outs" with unforeseeable political consequences.

Sir Leon said it did not matter whether all member states were in the Euro core, on the outside, in the exchange rate mechanism, or outside. The issue was to ensure that no state could be accused of pursuing "beggar-my-neighbour" policies such as competitive devaluations.

The crucial determinant should be whether all countries were pursuing responsible macro-economic policies within a common framework. This was the case at the moment because all countries - including Italy and the UK, outside the ERM - are following convergence programmes under the Maastricht treaty.

In London yesterday, six of the former Conservative Euro-rebels met Mr Malcolm Rifkind, foreign secretary, to urge a firm line at the 1996 Intergovernmental conference, Robert Shrimmsley adds.

They emerged saying they were "encouraged" by his response. One said: "He seemed to be taking on board what we had to say about the dangers ahead."

However, they acknowledged that Mr Rifkind had smoothed ruffled feathers among Euro-philles when he met 40 Tories from the Positive European group, angry at the tone of Mr Michael Portillo's anti-EU speech at the Tory conference.

## Employers' organisation warns chancellor over 'give-away' Budget CBI cuts 1996 growth forecast

By Graham Bowley, Economics Staff

The Confederation of British Industry has cut its forecast for growth next year amid signs that manufacturers are gloomier about output growth than they have been for almost two years.

It now expects gross domestic product to expand by 2.5 per cent next year, revised down from 2.8 per cent, the CBI says in its quarterly economic forecast, published today.

But it said that inflation is now less of a worry - it expects the government to come close to its 2.5 per cent inflation target by the end of 1997 and predicts that interest rates will fall at the beginning of 1996.

However, it warned that a give-away Budget next week could jeopardise the inflation target. If the government gives away more than the £3bn (£4.68bn) it expects in Budget tax cuts, without making matching cuts in public spending, the CBI said that interest rates might have to rise, which might still not be enough to get inflation on target.

Ms Kate Barker, the CBI's chief economist, said: "With the recent slower rate of growth now expected to persist over the next few months, inflationary pressures in the economy have lessened. The balance of risks points more to concern over weaker growth than over higher inflation."

Ms Barker blamed the downward revision to next year's growth forecast on weakness in the construction industry as well as a slowdown in manufacturing output as companies begin to unwind their stocks of unsold goods.

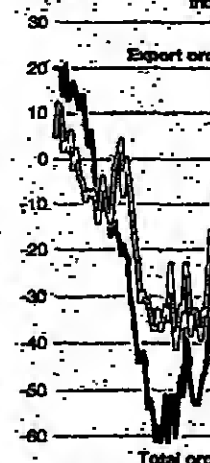
But she warned that if the shake out in stocks by companies is more marked than expected, the economy could slow even more in 1996.

The CBI's latest monthly industrial trends survey for November, also published today, confirms that the manufacturing upturn has slowed in

### Manufacturers' optimism fades

What is the level of order books compared with normal?

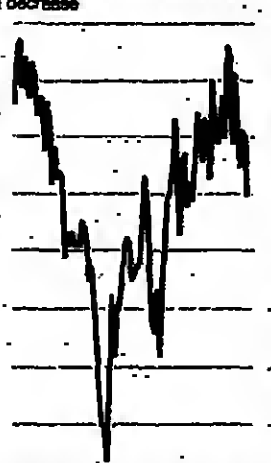
Percentage balance = those respondents reporting an increase minus those reporting a decrease



Source: CBI Monthly Trends Enquiry

What is the expected trend in output in the next four months?

Percentage balance = those respondents reporting an increase minus those reporting a decrease



Source: CBI Monthly Trends Enquiry

recent months with domestic and overseas demand for companies' goods slackening. The balance of manufacturers' expectations is expected to increase over the next four months over those which expect it to decrease in its lowest since December 1993, the survey shows.

Domestic demand for companies' goods is at its lowest since March last year, while overseas demand continues to be less buoyant than it was earlier in the year. The balance of those companies reporting

export order books above normal over those reporting them below normal was the lowest since June 1994.

More companies plan to increase domestic prices over the next four months than reduce them, but this is due to seasonal factors, the CBI said. Mr Subir Junankar, CBI economist, said: "Competitive pressures in the home market continue to restrain the ability of firms to push up prices."

Companies again said their stocks of finished goods remain more than adequate to meet expected demand. The balance of those reporting more than adequate stocks has changed little in recent months.

But the CBI is more optimistic about growth for 1997 - it expects gross domestic product to expand by 2.8 per cent, with growth underpinned by strong consumer spending and helped by modest personal tax cuts and a pick up in real earnings.

Manufacturing output is forecast to grow by 2.8 per cent in 1996, accelerating to 3.9 per cent in 1997. Manufacturing investment, however, is expected to ease over the next two years - after growth of 9.3 per cent next year, manufacturing investment is forecast to grow by 4.7 per cent in 1997.

The CBI expects interest rates to fall to 6.25 per cent at the beginning of next year. Underlying inflation, which excludes mortgage interest payments, is expected to be 2.9 per cent by the end of 1996, falling back to 2.7 per cent by the end of 1997.

### UK NEWS DIGEST

## Major rebukes minister over royal comments

Mr John Major yesterday delivered a public rebuke to Mr Nicholas Soames, the armed forces minister and friend of Prince Charles, for suggesting the frank television interview by the Princess of Wales was evidence of "paranoia".

Pressed by Labour MPs to discipline Mr Soames for usurping the prime minister's responsibility for constitutional matters, Mr Major told the Commons at question time there would be "no more comments" from the colourful minister.

A senior Downing Street official said the prime minister retained "full confidence" in Mr Soames's ability to do his job, which gives him day-to-day control of the army, navy and air force. However, it emerged that the prime minister had told Mr Soames - a grandson of Sir Winston Churchill - not to say any more about the *Panorama* interview on Monday, in which the princess admitted adultery, cast doubt on the prince's suitability for the throne, and spoke of the royal household as her "enemy".

Downing Street said the prime minister was out told in advance of Mr Soames's invitation to comment shortly afterwards on the BBC *Newsnight* programme, during which he said the princess had displayed "advanced stages of paranoia". Downing Street has tried in recent days to distance itself from the furor surrounding Mr Soames's remarks by insisting that the minister was speaking in a personal capacity as a friend and adviser of the Prince of Wales.

Kevin Brown

### BBC fears further cuts

The BBC increasingly fears that the government plans to renege its three-year financing agreement with the BBC World Service with the aim of making further cuts in the organisation. An agreement covering the 1994-97 period was announced in November 1993 after negotiations between the corporation and the Foreign Office.

The present settlement of £136m a year for broadcasting operations - £160m when capital projects are included - does not allow for inflation. As a result the BBC already estimates it will lose £10m in real terms over the three years.

The World Service, funded by government grant, has more than 130m listeners worldwide. In 1993 408 MPs signed an early day motion protesting at threatened World Service cuts, the third highest total for EDM signatures in parliamentary history. In July, the World Service announced a number of programme cuts to meet the funding shortfall.

Raymond Snoddy

Chemical industry downbeat

The Chemical Industry Association yesterday downgraded its forecasts for growth in the industry while attacking Central Statistical Office figures which it said were too unreliable to be useful at a sectoral level. Chemical output was expected to grow by 3.5 per cent in 1995, the association said, but the rise reflected the low level of output during the first half of last year, rather than any growth this year.

Since the first quarter, output had been flat, and it was expected to fall in the final quarter. However, a 2 per cent increase in output was expected next year, driven by export growth.

There was also likely to be some acceleration in job-cutting, the association said. Unit labour costs had risen this year, with average earnings rising by more than 4 per cent this summer, against flat output.

Jenny Luesby

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## MANAGEMENT

Received wisdom says you must go along with Japanese customs. Not anymore, says William Dawkins

## When in Japan...

It has long been held that the best way for a foreign company to sell goods in Japan is to become an insider - to fit in, like it or not, with local business customs.

But this is one of many Japanese management clichés thrown into question by the country's four years of economic stagnation.

Japan's Byzantine multi-layered distribution system, one of the costliest factors in selling goods there, is the area which has changed fastest - benefiting both foreign and Japanese companies.

"The recent market changes represent important opportunities for US and European companies competing in Japan. No longer constrained by the need to behave like insiders, they enjoy a wider choice of strategic options," says a recent study\* by McKinsey, the US management consultants.

A host of companies can testify to the truth of this. They have started selling direct to retailers and this, along with the yen's strength, has enabled them to undercut domestic competitors and gain a share of what used to be one of the industrialised world's most closed markets.

The most audacious challenge to the distribution system came last month from Monsanto, the US chemicals company.

After two years of painstaking risk analysis and preparation, its Japanese agrochemicals arm removed a layer of distribution in the delivery of herbicides to rice farmers and cut prices for its main product, Roundup, by 20 per cent.

This meant disturbing Japan's most complex and politically sensitive distribution system - it is a mainstay of support for the Liberal Democratic Party.

Steven Hayford, senior managing director of Monsanto Japan's agricultural group, admits that he will not know whether the gamble has paid off until farmers start buying herbicides next spring.

But before the recession sharpened farmers' appetite for cheaper supplies, nobody would have dared

even think of taking such a step. "Our staff here had always told us that Japan was different. We started asking ourselves why," says Hayford.

Monsanto's US headquarters had been pressing for a rethink for years. It was impatient with its 30 per cent share of the Japanese market for non-selective herbicides. Roundup has 90 per cent of the market in other leading economies.

The trigger for change came three years ago when both of Monsanto Japan's main agrochemical distributors - the first link in a five-stage delivery chain - said they could not meet their sales target because they were carrying excess stocks.

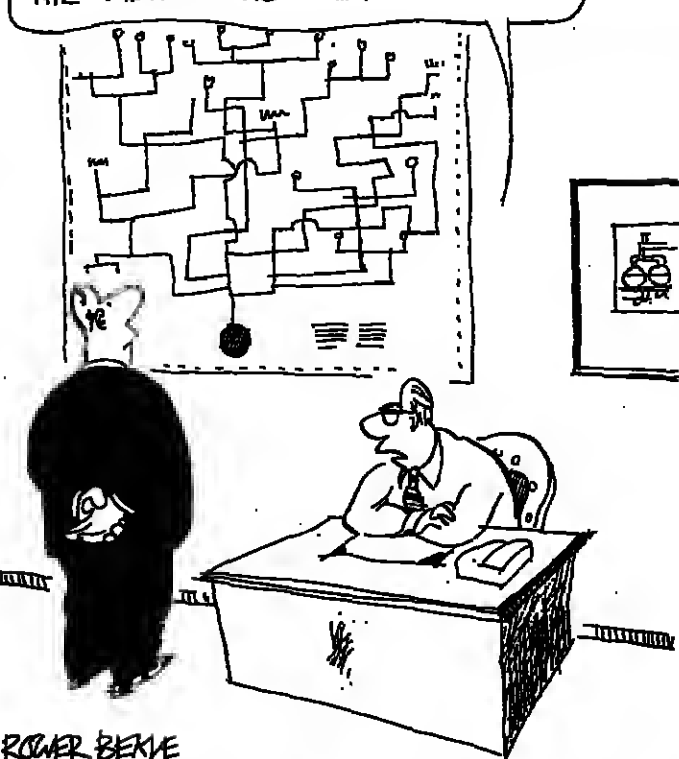
The company surveyed its customers to find out what had gone wrong. It discovered that the farmers knew less about Roundup's latest applications than farmers in other markets, and that they wanted cheaper herbicides and that they wanted to continue buying from the two main outlets: retailers and agricultural co-operatives. Monsanto also realised that the distributors were choked with stock partly because it had been force feeding them, with incentives to buy.

The company concluded that it needed to shorten the chain between itself and the outlets to stay in touch with farmers' changing needs. Further discussions - 91 meetings in all - with the powerful Zenko, the national federation of agricultural co-operative associations, supported that view.

Monsanto decided to cut out the two Japanese agrochemical company distributors at the head of the chain, which mainly repackaged Monsanto's products under their own names or used its chemicals to reformulate their own products. It also reduced the number of wholesalers from 360 to 60.

"They were very upset. They even went to complain at our US headquarters - and we went with them," says Hayford. But Monsanto's headquarters backed the Japanese office's decision to sell direct.

NO IT ISN'T THE MOLECULAR COMPOSITION OF OUR LATEST HERBICIDE - IT'S THE DISTRIBUTION NETWORK



ROGER BEKKE

As a result, the group faced legal action from the unhappy distributors for inadequate notice of termination of their agreement. The US company agreed in a Japanese court to pay undisclosed costs and compensation.

The other big cost was retraining half of Monsanto's 70 Japanese staff to switch from being office-based agricultural technicians to becoming travelling sales and marketing people.

The aim, achieved after a two-year training programme which cost around ¥35m (£220,000) was to create sales staff who could deal directly with the agricultural co-operatives and Monsanto's remaining wholesalers. Twelve staff who felt unable to switch roles were replaced and helped to find jobs in other companies.

To motivate the staff, the company split them into 18 groups of three to five employees, each allocated hefty sales-linked bonuses. These ranged from ¥500,000 to ¥3.4m last year, when the new staff structure came into operation.

Monsanto also started rewarding wholesalers for laying on demonstrations of Roundup, and trimmed the exchanges of gifts and after-noon golf which traditionally oil the wheels of the Japanese agrochemicals market.

The company is taking a great

risk, admits Hayford. "But, then again, I can't tell you how much fun it has been."

The new sales distribution strategy took effect last month after a year in which sales to farmers rose an estimated 5 per cent - evidence that, in spite of the legal fuss, Monsanto has at least not been boycotted by its customers.

Hayford believes the distribution system was ready for some kind of consolidation, as two links in the chain, the Zenko and its 47 prefectural offshoots, the Keizansen, have for years been debating a merger.

Not surprisingly, Monsanto's main competitors in Japanese agrochemicals, Zeneca of the UK and AgrEvo, a plant protection joint venture between Schering and Hoechst, the German pharmaceutical and chemical companies, are taking a close interest. Zeneca has opted to seek to maximise the benefits of the old system, while AgrEvo has gone for a mix of direct delivery and sales through Japanese agrochemicals producers.

The jury is still out on which strategy will work best in the long term, but one thing is clear: as McKinsey says, it is no longer received wisdom that when in Japan you have to follow Japanese business methods.

\*Cracking Japanese Markets, The McKinsey Quarterly 1995 Number 3.

## The search for a better fit

Andrew Campbell and Marcus Alexander examine the importance of 'relatedness' between companies

The current round of corporate demergers is seen as a management fad by some, and a recognition of past blunders by others. It is not necessarily either.

Heralded by ICI's courageous demerger, and boosted by AT&T's recent decision to split into three, a new logic is emerging.

This logic for corporate strategy cuts through discredited notions of "portfolio balance" and growth for growth's sake. It challenges the validity of "relatedness" between businesses as a sufficient justification for inclusion in the portfolio. It undermines many definitions of what is "core".

Most interesting, it recognises that what was appropriate in one phase of development can become equally damaging in another. As this line of thinking gathers adherents, it is encouraging many of the world's best-known companies to review their portfolios fundamentally.

Two recent decisions illustrate the new thinking that is emerging - Tarmac and Wimpey's swap and 3M's restructuring.

At first glance, the rationale for swapping the ownership of housing (to Wimpey) and quarrying and contracting (to Tarmac) is questionable. Housing and contracting offer few possibilities for making economies of scale, and market share leadership confers no great advantage. In quarrying, it is beneficial to be strong in one locality, but far less so at a national level.

So why has the commentary on this deal been so positive, and why have the shareholders pushed up the value of Wimpey by 20 per cent and Tarmac by 15 per cent?

The answer lies in the growing realisation that corporate managers should only retain or acquire businesses that respond well to the parent company's skills and culture. Synergy - the supposed benefits from grouping related businesses in the same portfolio - will emerge only if there is a fit between the nature of the businesses and the parent company's skills and culture.

By swapping their businesses Tarmac and Wimpey are improv-

ing this fit. Tarmac's roots are in road building, its culture is dominated by the quarrying and contracting businesses and its chief executive has come up through this side. Wimpey's roots are more firmly in house building.

Moreover, house building and contracting are not natural bedfellows. The risks are different - land buying versus fixed price contracts. The cultures are different - consumer market versus industrial market. The challenges are different - speed of construction and cost/value management versus project negotiation, project management and customer relations.

By specialising at the parent company level, Tarmac and Wimpey are likely to achieve a better

**Corporate managers should only retain or acquire businesses that respond well to the parent company's skills and culture**

fit between the needs of their businesses and the parent's skills and culture. Shareholders and managers alike are expecting this to result in better performance.

3M's restructuring is also best understood in the context of the new thinking about corporate-level strategy. 3M has always been highly diverse, with products ranging from roofing granules to post-it notes. It is regularly landed for its management quality, and is used as a world-famous benchmark in innovation.

3M's success has come from focusing on business niches where technical superiority makes it possible to earn high margins and invest in further technical developments.

Over the years, 3M has built a complex management culture that decentralises to product divisions of a manageable size, gives technical directors a status they do not have in other companies, pro-

vides technical sharing across divisions, encourages a close liaison between technical and sales personnel, and helps the hierarchy make the tough decisions about which developments to support and which to turn down.

So why has 3M failed to succeed in audio and video tapes, products they used to dominate and technologies they were world leaders in? And why is 3M demerging its data storage and imaging businesses?

The answer lies in the misalignment that had developed between the priorities in these businesses on the one hand, and 3M's senior management skills, organisation culture and management philosophy on the other. 3M had become a bad parent for these businesses in the same way that ICI had become a bad parent for Zeneca.

The audio and video tape business changed from being a niche market dominated by technical leaders to a mass market where manufacturing, distribution and selling efficiencies were the key to success. 3M is good at nurturing and supporting technically-driven businesses; it is less good at giving appropriate leadership to efficiency-driven businesses.

The data storage and imaging business also changed as it grew, but in a very different way. It is still a technical business, but the speed of technical change and the size of the technical investments have increased, calling for a faster-paced, technical commitment than 3M is used to providing.

The new logic can therefore identify when business and parent are growing too far apart: it would also have warned against attempts to unite Sony/Columbia or BAE/Rover.

Against the power of this new thinking, previous drivers of corporate strategy are buckling. The validity of balance, size, relatedness and sacred cows about what is "core" are being challenged. In their place managers are taking a cold look at the fit between their own skills and the needs of the businesses they command.

The authors are directors of Ashridge Strategic Management Centre.

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## ARTS

# Exemplary tale of two cultures

David Murray on a unifying operatic enterprise in Belgium

Yes, there is a Flanders Opera, and it is worth knowing about. All season long, the company travels with its guest stars between Ghent and Antwerp, opening each new production in one city for several performances and then repeating it in the other. Their repertoire is both sensible and adventurous, their standards high; and at least for London opera-lovers those lively and attractive cities, proudly laden with visible history, are nowadays only a short hop away.

In effect, the Flanders Opera is the Flemish-Belgian response to the more famous French-Belgian "La Monnaie" house in Brussels. Until quite recently the histories of the separate Flemish companies in Ghent and Antwerp were chequered through being too separate (not enough budget for either house), and by their rigid traditions of singing everything in Dutch - which ruled out most foreign singers - or else in French, which annoyed the increasingly nationalistic Flemings.

But they amalgamated in 1982, to promising financial effect; and by the early 1990s they agreed that every opera would be sung in its original language. No strain for the Flemings, so many of whom acquire German, English and French as a matter of course - and anyway there are always Flemish surtitles, and regularly a new opera composed in their native tongue. The result is a strong, outward-looking company, very consciously in competition with "La Monnaie", and whose best achievements may compare with the best of our Opera North and the Welsh National Opera.

In Antwerp this week I heard them revive Erich Wolfgang Korngold's *Die tote Stadt* (1920), which for a time counted as an icon of "modern" Teutonic opera after Richard Strauss and amidst an impressive track record. The great Maria Jeritz and Lotte Lehmann sang it with *clat*, and Richard Tauber too. It was the fourth stage-piece by its precocious, much-hyped composer (1897-1957) - who soon removed himself to Hollywood for the rest of his life. His fluent gifts

proved ideally suited to film-scores, and they made his fortune fast.

*Die tote Stadt*, however, was wholly of its "decadent" fin-de-siècle time. Under a pseudonym, young Korngold and his proud father devised their libretto from a novel by the Belgian poet Georges Rodenbach, a Symbolist like Maeterlinck, from whom Debussy got his *Pelléas* text. Rodenbach's *Bruges-la-Morte* was a study in symbolist fatalism. In the museum-city of Bruges a young widower years after his lost Marie amid the foggy canals and the shadows, seems to find her again in the dancer Marietta, and has to live through a fantasy of rejection and murder to escape the pull of his dead wife and the dead city.

The Flanders staging by Götz Friedrich, mostly faithful (but for an extra murder) and unusually literal, is a co-production with the Deutsche Oper Berlin. Andreas Reinhardt has designed a grand, gloomy Hammar-horror retreat for the grieving widower Paul, and a deathly vista of Bruges - mist, water, arrested decay - for Act 2.

The role of Paul is a cruel challenge, for Korngold seems to have expected an heroic tenor who could sing under pressure for improbably long stretches. Flanders has the seasoned American tenor William Cochrane, who strives manfully to keep up despite a heavy beat in the voice when the going gets tough. His Marietta/Marie - the same soprano sings both the dancer and the spectre - is the American Cynthia Makris, bright and penetrating, if a touch hard.

The lower voices of David Pittman-Jennings and Ans van Dam serve admirably in the main secondary roles, Paul's confidante and housekeeper, and in the small lyrical part of a Pierrot in Act 2. Michael Kraus displays a lovely, ready baritone. The Flemish chorists, including a band of children, are fine, and so is the expanded orchestra under Stefan Soltesz.

All in all, Korngold's lush period-piece gets a very decent run for its



William Cochrane and Cynthia Makris in Flanders Opera's 'Die tote Stadt'

money, and collectors at least will be glad to catch up with it. An ideal *Tote Stadt* cast would be nice, of course, but that would be hard to assemble these days: tenors, in particular, would be reluctant to risk their vocal cords for the sake of a few performances, for this opera is unlikely to enjoy widespread revivals.

*Die tote Stadt* really is a weird curio, full of practised Straussery - the whispering diva strings, the arcular brass, the melting horn solos, a perpetual glitter of harps and glockenspiel; blander than Strauss when the chips are down, but grinding into irrational discords for spook-effects. It was thought to be more "modern" than

it ever was. In fact Hollywood was the natural destination for Korngold's talent, and he made the most of it there.

Further performances in Antwerp to December 2, then in Ghent between December 9 - 20; the rest of this year's season includes *Parsifal*, *Cost and Tippet's King Priam*.

## Opera/Richard Fairman

### 'Turandot' at full volume

extra brass in the royal box was enough to take a layer of paint off the ceiling, as Atherton coaxed his players to give their maximum decibels - and then some more - at the climax of each act. In the music of *Turandot* Puccini plays a subtle balancing act, twisting beauty into pain as though they are two sides of the same experience. Here the opera seemed simply to be about surviving against overwhelming odds, even the chorus (on an untidy night) facing a losing battle.

The soloists have to give as good as they get. As Liu, Janice Watson faced the easiest task, being able to spin acrobatic high vocal lines on a sparkling thread of tone during the orchestra's moments of calm. Andrew Greenan, though he sounds too youthful, sang well as blind, old

Timir. Roberto Salvatori, John Dazak and Anthony Mee were a well-knit trio as Ping, Pang and Pong. Nobody would envy a tenor the job of following in Pavarotti's footsteps with "Nessun dorma", but Edmund Berham trumpets his top notes proudly as he plays the prince's life-or-death riddles.

As there is a look of puzzlement on his face at that point? If not, there should have been, since this *Turandot* seemed to be posing the questions in a language unknown to man. A rather personal way with English vowels meant that the Austrian soprano Sophia Larson rendered most of William Radice's new translation unintelligible, though the

technique doubtless helped her to produce such a huge, Coliseum-sized sound. Letting fly a voice like a steel girder, she might fairly argue, is part of *Turandot*'s job description.

Downplaying her oar superhuman role is part of what Christopher Alden's production seems to be about. At her grand entrance this *Turandot* walks on looking like a repressed school ma'am who has found Freud in the sixth-form library and does not like what she has read. His central argument is obvious enough, but it is filled out with a lot of gratuitous detail. Why does Calaf have to undergo symbolic rape at knife-point? Why does the chorus keep falling about emoting, when they would be far better off looking at the conductor?

Apparently, ENO had hoped to present the David Hockney-designed production staged in Los Angeles, a visually mesmerising but very static affair. Borrowing Alden's production, designed by Paul Steinberg, from Welsh National Opera has yielded the opposite result. Set in a corrugated-iron bunker, it is intentionally unglamorous, but by linking the cruel drama of *Turandot* with various unspecified totalitarian regimes of the 20th century, the production promises a dramatic life, which it fully delivers.

This is a popular opera that has waited far too long to join the repertory at ENO. Now that it has arrived, it has at least come in a performance that is determined to make an impact and shouts it at the top of its voice. To many people *Turandot* will be a fail-safe evening at the opera. If in doubt, be sure to take a pair of ear-plugs.

Performances at the Coliseum until January 16.

## Concert/Stephen Pettitt

### Purcell back in Westminster

This was not so much The Purcell Tercentenary Concert as the Purcell Tercentenary Show, live from the studio. It was impossible to see or hear properly the various groups and musicians scattered around the church. But Westminster Abbey is some studio, and I rejoiced to be there. This was the day, after all, on which 300 years ago Henry Purcell died. This was the place where he worked as choirboy and organist, where he lies buried. And this was the evening, surely, when the nation finally acknowledged his greatness for good and all.

That it should do so in the context of a wide-ranging programme of British music that attempted to show a measure of Purcell's influence seemed right. The evening began with the splendid new *Forrest Isle Fanfare*, staged with Purcellian harmonic stridency, by Jonathan Dove. There was the New London Consort, directed by the Abbey's Organist, Martin Neary, in Purcell's vivid incidental music for Aphra Behn's *Abdelazer*, which famously includes the music upon which Britten wrought his variations in *The Young Person's Guide to the Orchestra*, played later by the BBC Symphony Orchestra under Andrew Davis.

The fine Abbey Choir offered a taste of the music with which Purcell grew up - Orlando Gibbons's anthem "Hosanna to the Son of David" and William Byrd's "O Lord, Make Thy Servant". And Purcell's magnificent verse anthem "My heart is inditing" and Handel's coronation anthem "Zadok the Priest" showed how much the younger composer's sonarities owed to those of the older man.

Quite what Purcell would have

made of Elgar's extravagant arrangement of another verse anthem, "Jehova, quam multi sunt hostes", given by the BBCSO, the BBC Symphony Chorus, organ and soloists. Robio Leggate and David Wilson-Johnson, is anybody's guess. Wilson-Johnson had earlier joined Catherine Bott, James Bowman (all in fine voice) and, in "Hark the Echoing Air", the trumpeter Mark Bennett, in a group of four songs, the genre in which Purcell showed himself to be the Schubert of his day, master of private sentiment as well as public.

Later, the same singer returned with the Nash Ensemble for the world premiere of a new work by Sir Michael Tippett, the "Song for Caliban". This modest piece fits into *The Tempest Suite*, music recently extended and arranged by Meirion Bowen from incidental music. Tippett wrote for the Old Vic in 1951. The fast and furious "Trumpet Tune with Boogie" made an effective introduction to the new song, a setting on a ground bass of the words "Be not afraid, the isle is full of noises". The music is slow, the instrumentation magically atmospheric, the vocal line as eloquent as anything Tippett has penned. It was beautifully played and sung.

But the last notes of the evening had to be Purcell's. Bowman delivered the wonderful "Evening Hymn" with poignancy and impeccable control. There could have been no more appropriate, nor moving, a tribute to the man than this, possibly the supreme expression of leave-taking in all music.

My apologies to Flori Musicali, whom I failed to credit in my review of the St Cecilia Festival yesterday.

## Theatre/Simon Reade

### Holocaust Trilogy

Ruth Posner, a survivor of the Warsaw ghetto, plays Theresa Steiner with great dignity in *Theresa*, the first of Hampstead's New End Theatre's *Holocaust Trilogy*. A Viennese conservative music professor, Theresa is exiled to England after Kristallnacht, first as a scullery maid, then as a nanny. She escapes the Blitz for Guernsey but cannot retreat to mainland Britain when the Germans invade and is betrayed to the Nazis by the islanders.

This horror at the complicity of the Channel Islanders, prompted writer and director Julia Pascal to explore the systematic destruction of European Jews in this series of plays she revives. Her style often betrays the catalyst: unsynthesised primary source views with dramatic fiction. In *A Dead Woman on Holiday*, for instance, a love story desperately trying to blossom in the context of the Nuremberg Trials.

Sophia Goldenberg (the beautiful, chic Claire Marchionne) reverts to her maiden name to advertise her Jewishness. She is thrown into an affair with a fellow interpreter at the trials, an American husband and father (gritily played by Kevin Farran). Both their worlds are shattered irrevocably while interpreting the atrocities, and they cannot find solace in their passionate affair. Overwhelmed by the horror, Sophia pleads "Hitler is dead, isn't he?"

The simultaneous translators' cacophony is the best manifestation of Pascal's otherwise irritating *Euro-pudding*, repeating and overlapping most lines in her plays in more than one European language. Another trick which works once or twice but palls when employed for

the umpteenth time, is the cold blue footlights which cast Expressionist shadows on the back wall of the bare black-box stage. There is, however, a highly charged recurring sound-image of the death-rattle of a train shrieking towards Auschwitz (designers: set, Thomas Kampe; lighting, Ian Whitham; sound, Colin Brown). Much of the acting delves deep into emotional truth. Left to their own devices, when not being swamped by theatrical ones, their stories have the cathartic effect of Greek tragedy.

This is true of *The Dybbuk*. Pascal places it thoughtfully in the Warsaw ghetto, the besieged Jews valiantly re-enacting their dramatic totem in a God-less world. She also, with nice lucidity, frames it within the present day: a contemporary girl says how she is haunted by "so many dybbuks", the souls of Holocaust victims. "I go to Germany and think Hitler won. Where is my generation?" - she sees no Jews on the streets of Germany 1995. The final image is harrowing: people walk towards us, peeling away as they are shot or gassed. It is some time before we can bring ourselves to applaud.

Pascal commands the loyalty of an international acting company. As an event the evening may disappoint - seemingly ambitious, the trilogy uses three separate casts rather than one homogenised ensemble. But the plays, seen individually, are an intensive, if bleak celebration of the strength of humanity in adversity.

The Holocaust Trilogy plays in repertory at the New End Theatre, Hampstead, until December 10 (0171-794 0222).

## INTERNATIONAL ARTS GUIDE

### AMSTERDAM

**CONCERT**  
Concertgebouw  
Tel: 31-20-6730573  
● Bekova Sisters perform piano trios by Vaughan Williams, Brahms and Debussy; 8.15pm; Nov 27

### BARCELONA

**CONCERT**  
Palau de la Música Catalana  
Tel: 34-93-2681000  
● Orquestra Simfònica de Barcelona i Nacional de Catalunya: with conductor Jan Latham Koenig and saxophonist Miguel Bofill perform works by Poulenc, Benelam and Tchaikovsky; 7pm; Nov 25, 26 (11am)

### BERLIN

**CONCERT**  
Konzerthaus  
Tel: 49-30-203082100/01  
● Kammerorchester Berlin: with conductor/Violinist Katrin Scholz and flutist Silke Uhlig perform works by J.S. Bach, Shostakovich and Vivaldi.

Concert in celebration of the 50th anniversary of the Kammerorchester Berlin; 7.30pm; Nov 27  
Philharmonie & Kammermusiksaal  
Tel: 49-30-254880  
● Philharmonische Streicher soloists: with pianist Ayumi Ichino, violinist Toru Yasunaga and cellist Ludwig Quast perform works by Richter, Mendelssohn, Tchaikovsky and Janáček; 8pm; Nov 26

### BOSTON

**CONCERT**  
Boston Symphony Hall  
Tel: 1-617-266-1492  
● Boston Symphony Orchestra: with conductor Robert Spano and the Beaux Arts Trio perform "Druckman's 'Nor Spell nor Charm', Silbelle's 'Symphony No.6' and Beethoven's 'Triple Concerto for violin, cello, piano and orchestra'; 8pm; Nov 30; Dec 1 (1.30pm), 2

### DRESDEN

**OPERA & OPERETTA**  
Sächsisches Staatstheater Dresden  
Tel: 49-351-48110  
● Tristan und Isolde: by Wagner. Conducted by Christof Prick and performed by the Sächsische Staatstheater Dresden. Soloists include Wolfgang Schmidt, Theo Adam and Sabine Hass; 4pm; Nov 26

### DUBLIN

**OPERA & OPERETTA**  
National Concert Hall - Geórgias Mákis  
Tel: 353-1-6711533  
● Opera Gala: with conductor Mark Armstrong, tenor John Hudson, soprano Virginia Kerr, bass Julian Konstantinov and special guests

Dun Laoghaire and the Choral Society. Performance of arias, duets, choruses and songs by Verdi, Donizetti, Gounod, Boito, Gilbert & Sullivan, and others; 8pm; Nov 25

### LAUSANNE

**CONCERT**  
Salle du Métropole  
Tel: 41-21-3122707  
● Orchestre de Chambre de Lausanne: with conductor Olego Karu and trumpet-player Sergei Nekrasov perform works by Nielsen, Hummel and Silbelle; 8.30pm; Nov 27, 28 (8pm)

### LEIPZIG

**OPERA & OPERETTA**  
Oper Leipzig  
Tel: 49-341-1261261  
● Die Fledermaus: by J. Strauss. Conducted by Siegfried and performed by the Oper Leipzig and the Gewandhausorchester; 7pm; Nov 25; Dec 1 (7.30pm)

### LONDON

**AUCTION**  
Sotheby's; Parkes Bernet & Co.  
Tel: 44-171-4338080  
● Impressionist & Modern Art Part I: highlight of the sale is Gauguin's 'Femmes au Bord de la Rivière', which dates from the artist's first visit to Tahiti in 1891-1893. Also including works by Pissarro, Monet, Cézanne, Pechstein and Schiele; 7pm; Nov 27  
**CONCERT**  
Queen Elizabeth Hall  
Tel: 44-171-9604242  
● London Sinfonietta: with conductor Esa-Pekka Salonen, cellist Anssi Karttunen and oboist

Gareth Hulse perform works by Webern, Lutoslawski, B.A. Zimmermann, Donatoni and Salonen; 7.45pm; Nov 27  
Royal Festival Hall  
Tel: 44-171-9504242  
● Ver. Requiem: by Britten. Performed by The London Philharmonic, with conductor Franz Welser-Möst, and The London Philharmonic Choir, conducted by Andrea Quinn. Soloists include Vivian Tierney, Anthony Rolfe Johnson and David Wilson-Johnson; 7.30pm; Nov 26

St John's, Smith Square  
Tel: 44-171-2221081  
● Weihnachtsoratorium (Parts 1, 2, 3 and 6): by J.S. Bach. Murray Stewart conducts the London Forest Choir and London Pro Arte Orchestra. Soloists include soprano Cerys Lloyd Roberts, countertenor Robin Blaze, tenor John Bowen and bass Lynton Black; 7.30pm; Nov 26  
St Martin-in-the-Fields  
Tel: 44-171-8398362  
● Mozart by Candlelight: the Belmont Ensemble of London with conductor Peter Gilbert-Dyson, violinist Lucy Ellen Spencer and viola-player Ashan Pillai perform Mozart's Eine kleine Nachtmusik, Sinfonia Concertante for Violin and Viola, Symphony No.29 and other works; 7.30pm; Nov 25  
Wigmore Hall  
Tel: 44-171-9352141  
● Shura Cherkassky: the pianist performs works by Beethoven, Liszt, Chopin, Tchaikovsky, Ligeti and Bach/Liszt; 4pm; Nov 26

### MADRID

**CONCERT**  
Fundación Juan March  
Tel: 34-1-4354240  
● Moscow Quartet: with pianist Eugenia Gabrielluk perform works by R. Schumann and J.S. Brahms; 12am; Nov 25

### MUNICH

**CONCERT**  
Philharmonie im Gasteig  
Tel: 49-89-48098508  
● Staatskapelle Wilmers: conducted by Michael Jurkowski, with pianist Cyprien Katsaris, violinist Sebastian Götter and cellist Tatjana Vasiljeva, perform works by Beethoven, Haydn and Mendelssohn; 8pm; Nov 25  
**DANCE**  
Nationaltheater  
Tel: 49-89-21851920  
● La Fille mal gardée: by Hérold/Lanchbery in a choreography by Frederick Ashton, performed by the Bayerisches Staatsballett; 8pm; Nov 27

### NEW YORK

**JAZZ & BLUES**  
Blue Note Tel: 1-212-475-8592  
● Dave Stryker: the jazz guitarist performs with The Bill Warfield

Therfall; 7pm; Nov 27, 28, 29 (also 1pm), 30  
Olivier Theatre Tel: 44-171-6330680  
● Vulpene: by Jonson. Directed by Matthew Warchus and designed by Richard Hudson. Featuring Michael Gambon and Simon Russell Beale; 7.15pm; Nov 27, 28, 29 (also 2pm)

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### NEW YORK

**JAZZ & BLUES**  
Blue Note Tel: 1-212-475-8592  
● Dave Stryker: the jazz guitarist performs with The Bill Warfield

Big Band; 9pm & 11.30pm; Nov 27

### PARIS

**CONCERT**  
Salle Pleyel Tel: 33-1 45 61 53 00  
● Orchestre de Chambre Paul Kuentz: with conductor Paul Kuentz perform Bach's Mass in B; 5.30pm; Nov 26  
**EXHIBITION**  
Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00  
● Arnold Schoenberg. Regards: exhibition of 44 paintings and 29 drawings by the composer Arnold Schoenberg. Most of the works - including many self-portraits - were made between 1908 and 1911; to Dec 3

### STOCKHOLM

**CONCERT**  
Konserthuset Tel: 46-8-7880200  
● Filharmonikerna: with conductor Tõnu Kaljuste, the Filharmoniska Kören and the Hilliard Ensemble perform works by Pärt. Soloists include countertenor David James, tenors Roger Covey-Crump and John Potter, baritone Gordon Jones and pianist Sol Lucia Negro. One of the Pärtfestival performances; 3pm; Nov 25

### WASHINGTON

**OPERA & OPERETTA**  
Opera House Tel: 1-202-416-7800  
● Der Rosenkavalier: by R. Strauss. Conducted by Heinz Fricke and performed by the Washington Opera. Soloists include Helen Donath, Jeanne Pliant and Eric Halfonson; 2pm; Nov 26

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## COMMENT &amp; ANALYSIS

Philip Stephens

## A pantomime horse

The Conservative party and prime minister demand the politics of illusion from Kenneth Clarke in the Budget

Just a few days to wait now for that great pantomime of British politics, the most trivially solemn event of the parliamentary calendar, the moment when the economics of delusion collide with the politics of illusion. I speak, of course, of the Budget.

Kenneth Clarke's package will set the seal on the most balanced economic recovery of the post-war years. It will mark the final break with the economics of boom and bust. It will win the Conservatives a fifth term. Or if you stand on the other side of the political fence, it will be the ultimate admission of failure. The recognition that after more than 16 years, the Conservatives have nothing to offer save a few tawdry tax cuts. The voters' response to such arrogant trickery will be to put Tony Blair in 10 Downing Street. Baloney, all of it.

"Think back over those 16 years. How many budgets come flooding back into the popular consciousness? There was 1981, I suppose. Geoffrey Howe's counter-cyclical tax increases have since become embedded in Tory mythology, another of those interminable turning points in the nation's economic fortunes. It was indeed an important moment, though only because the government simultaneously abandoned the simple-minded monetarism which wrought such devastation during the first Thatcher years. But this is hardly the stuff to stir memories in Basil Donaghy and Burnley.

One might have better luck with 1988. Remember the Lawson miracle? Tax rates down to 40p and 25p, plenty to spend on the welfare state, the Treasury so awash with cash that it could also afford to pay off the national debt, house prices in the stratosphere. Even if the party is now a distant memory, there are plenty around who have still not shaken off the hangover.

But 1989 was the exception. The apathy and cynicism towards politics revealed once again in this week's annual

survey of British Social Attitudes have reduced budgets before and since to a blur of headlines about the price of a pint and a packet of 20. And no wonder. In the course of two budgets in 1993 the Conservatives unveiled the largest ever tax increases during peacetime. Now, even before Mr Clarke gets to his feet, they declare themselves the party of tax cuts.

So as the chancellor stands on the quayside of the Treasury's latest economic forecasts, forget the nonsense about his words deciding the outcome of the general election. Of course, if he signed up to the quick-fix economics of most of his party's backbench MPs, Mr Clarke could turn the likelihood of a Conservative defeat into a certainty. But he won't. And as for winning the election, he has no better idea than you or I as to how the economy will perform during the next 18 months.

It is clear that the recent slowdown is more pronounced than seemed likely in the summer. Weakening growth rates elsewhere in Europe, a feeble export performance, the slump in the housing market, and hesitant consumer confidence have all contributed. But it remains much too early to suggest that the economy is heading back towards recession. A cyclical pause is still the most likely explanation.

Left to his own devices, the chancellor would be faithful to his favourite dictum, that good economics and good politics are inseparable

During most of the recovery personal incomes have been more or less frozen, the ready explanation for the absence of the so-called feelgood factor among the voters. But even without tax cuts, those incomes will start to rise over the next year. And if British exporters cannot sell into European markets when the pound is below DM2.20, then there is no hope for the economy anyway.

In such circumstances, the sensible course is both orthodox and obvious. Mr Clarke should leave taxes and spending where they are and consider a cut in interest rates to underpin confidence in the recovery. After its humiliating interest rates climbdown in the summer, the Bank of England could hardly stand in the way. In any event, the Bank now seems ready to view the official 2.5 per cent inflation target as an average to be achieved over the lifetime of the cycle rather than one which must be hit at a single point two years hence.

Here, I admit more than a sneaking admiration for Mr Clarke. He is no Treasury technician and he seems bored by the intricacies of macroeconomics. But he brings a profound and solid common sense to a government more accustomed to running scared of its own shadow. Left to his own devices, the chancellor would be faithful to his favourite dictum, that good economics and good politics are inseparable.

But his party and his prime minister demand the politics of illusion. Taxes must be cut, and somehow in a way which re-establishes the Conservatives' claim to represent the family and the homeowner. The No 10 policy unit is awash with expensive wheezes to put money in the pocket of each and every disgruntled Tory. If the financial markets will not tolerate a big rise in borrowing (and they won't), then the room must be found through lower spending and creative accounting.

I guess that Mr Clarke has rejected out of hand the wilder demands. He has his self-respect. So he will not propose on Tuesday to enshrine in legislation a multi-year programme of tax cuts. Unless I have completely misjudged him, neither will he listen to those demanding that the taxpayer finance another housing boom by increasing mortgage interest relief. His borrowing target will be higher than it need be, but not so high as to threaten compliance with the Maastricht criteria for a single currency. That may yet leave room for lower interest rates.

So the tax cuts (and a net reduction of £2bn-£3bn is a safer bet than the £5bn mentioned by some) will be paid for on what used to be called the never-never. The Treasury will dismantle what remains of the public sector's capital expenditure programme. New roads, hospitals and schools will be built haphazardly under the private finance initiative.

The so-called PFI has been landed by politicians of all parties. Gordon Brown, the shadow chancellor, seems even keener than Mr Clarke. In essence, the scheme provides for private contractors to meet the initial bill for a new by-pass or operating theatre and for the taxpayer to repay the debt over the following 10, 15, or 20 years. But crucially, none of this shows up in the government's balance sheet. (Unsurprisingly, Treasury mandarins are appalled as the politicians are enthusiastic about the potential it provides to promise the voters something-for-nothing.)

But all are apparently agreed that the electorate can be bought by putting a few extra pounds in their wallets. Mr Brown did not wait for Mr Clarke to speak before promising that Labour too would be ready to cut income tax. The Conservatives promise a 30p basic rate of income tax, New Labour offers a 10p starting rate. It is, we are told, good politics. No wonder the voters so easily forget.

## LETTERS TO THE EDITOR

Number One, Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please see fax to "fax") or e-mail: letters@ft.com. Translation may be available for letters written in the main international languages.

## Effective resistance

From Mr Gervase Cowell

Sir, It has been my privilege for several years to be the custodian of the official files of the UK Special Operations Executive, the organisation set up to encourage, train and supply resistance in occupied Europe. This is an honour which it is no fault of Paul Abraham that he does not share. That such incidents as he cites in his article ("Bitter Memories of the Resistance", November 11), did take place, that such opinions were held, is not to be denied.

The experience of war intensifies human nature in all its aspects. To conclude that this is all, or for the most part, what the resistance amounted to is a travesty of the truth. The military value of the resistance in holding up German divisions that were trying to reinforce the Normandy invasion, in planning down on the Italian front and in winning to cut across the lines of the Allies invading from the south, and in liberating many areas of France, was assessed by General Eisenhower as having shortened the war by six months.

It could not have been achieved without a movement in which, over many anxious years, bravery, self-sacrifice and supportive consent far outweighed the few exceptions which this article seeks to present as its dominant characteristic. Gervase Cowell, SOE adviser, Foreign & Commonwealth Office, Old Admiralty Building, London SW1A 2AP, UK

## World community must act on Nigeria

From Baroness Williams of Crosby

Sir, In the continuing discussion about whether or not there should be a boycott of Nigerian oil exports following the execution of Mr Ken Saro-wiwa and his colleagues it is important to remember that other distinguished Nigerians, including the former head of state, General Abacha, are still very much at risk.

It is therefore important to announce soon measures the international community would agree to take in the event of any further such

actions in Nigeria. There is still, regrettably, disagreement about an oil boycott. Surely all Nigeria's trading partners could at least agree to confiscate personal accounts held overseas by Nigeria's ministers and of the president if that were to happen. It is crucial to act soon.

Shirley Williams, public service professor of electoral politics, Harvard University, John F. Kennedy School of Government, 79 John F. Kennedy Street, Cambridge, MA 02138, US

## Robust insurance response

From Ms Marie-Louise Rossi

Sir, May I assure readers that the London International Insurance and Reinsurance Association is responding robustly and with a sense of urgency to the challenges outlined in your article ("Insurers in a risky position", November 20).

The non-marine insurance and reinsurance companies, which London Insurance and Reinsurance Market Association represents, account for some 60 per cent of this market which, far from contracting, has attracted several new participants this year. Furthermore, many of the 100-plus members, as well as announcing increased profits, have raised their capitalisation or taken other steps to increase the amount of London business they do. Two independent reports this year have confirmed London's continuing role as the world's

premier international insurance market. You rightly point to the need to reduce the industry's cost base. This is one reason why the association decided in principle to open its membership to underwriters throughout the EU and Switzerland, and its systems to business produced by European brokers. This will have the effect of using London's lead in IT to achieve further economies of scale and to ensure we remain a focal point for the industry worldwide.

Marie-Louise Rossi, chief executive, London Insurance and Reinsurance Market Association, The London Underwriting Centre, 3 Minster Court, London EC3R 7DD, UK

## Postman speeds link to German direct bank

From Mr Andrew Lockhart

Sir, Being an Englishman in Frankfurt, I was rather overwhelmed by finding that Bank 24, the direct bank launched by Deutsche Bank, is as efficient and reliable in opening client accounts for retail customers via mail as one might expect from a

German bank. Rather than having to make my way to the local post office, as your Observer suggests ("Don't call us" November 21), the postman came to my home to confirm identification and residency. Hence, it took just 10 days from applying for an account to receiving full documentation

from Bank 24. I hasten to add that my past experience with First Direct, Midland Bank's telephone banking subsidiary, in the UK was far less positive.

Andrew Lockhart, Im Trutz 55, 60322 Frankfurt, Germany

## Technology and the changing nature of higher education

From Prof Chris Hutchinson

Sir, Michael Prowse ("Endangered Species", November 20), rightly challenges current recurrent expenditure on all forms of education using the work of Perelman as a basis for his article. Perelman suggests that a significant up-front investment in new technology is needed if education is to meet its customer needs. Technology is only one part of the answer. As I have discovered through Southampton Institute's MBA course using computer conferencing via the Internet,

the challenge is not the use of the technology but the changes which the change in learning brings to the pedagogic process. Just as we have moved to providing education to homes and offices around the world so too will competitors have the opportunity to challenge higher education providers in the UK.

With such challenges the very nature of higher education will change. There is however little evidence that governments or academics have fully understood the potential impact that such

challenges will have on structures and systems that have remained relatively unchanged for far too long. Higher education will in the future be assessed by certification of competency and not by attendance. I hope that education policy and educators accept the challenges rather than become tomorrow's dinosaurs.

Chris Hutchinson, director of corporate development, Southampton Institute, East Park Terrace, Southampton SO14 0YN

From Mr R.R. Whitehead

Sir, About the time this university was starting up printing was introduced into Europe. No doubt some part of the time went about saying that, since anyone could now buy a book, the universities were finished.

Michael Prowse is confused by the differences between education, ability, and knowing lots of facts, or he pretends to be.

R.R. Whitehead, Dean of the Faculty of Science, The University of Glasgow, Glasgow G12 8QQ, UK

## Marketing - Shiraz Sidva

## An Indian campaign

Liberalisation in one of Asia's largest markets has led to an advertising boom

When Kellogg's launched a breakfast cereal in India last year, it had to create a market where practically none existed. Few Indians eat wheat for breakfast, but the US food giant was prepared to spend Rs10m (£275,500) on advertising in the first five months to convince them to change their food habits.

India's economic liberalisation programme, which began in 1991 after a severe financial crisis, has opened huge potential to foreign investors. The country's advertising industry, which has grown at a steady pace of 20 per cent each year since 1981, has registered 36 per cent growth this year, with billings of more than Rs40bn. Analysts predict that billings will reach Rs100bn by the turn of the century. Hindustan Thompson Associates (HTA), a subsidiary of J. Walter Thompson of the US and India's largest agency, says that more than half its billings of Rs3.75bn this year came from new clients.

International brand rivals such as Coca-Cola and Pepsi, and Ariel and Surf are slugging it out through multi-million rupee advertising campaigns. "Nowhere is the impact of the government's liberalisation programme more evident than in the advertising industry," says Mr Rajiv Agarwal,

managing director of Nexus Equity, a small but high profile Bombay-based advertising agency.

"The new scenario is so competitive that companies are forced to increase their advertising budgets," says Mr Ranjan Kapur, managing director of Ogilvy & Mather Advertising, a subsidiary of Ogilvy & Mather Worldwide. He points out that there are 80 brands of soap on the market.

While multinational clients account for a substantial amount of the industry's growth - 50 per cent of HTA's clients are multinationals and multinational clients make up nearly 35 per cent of O&M's total billings of more than Rs2bn this year - Indian companies are advertising more than ever.

"With increasing competition from international brands, Indian business has inevitably grown dramatically," says Mr Agarwal. "The absolute numbers being spent by some Indian companies on advertising would create ripples on any global balance sheet."

Some international agencies are choosing to enter the Indian market alone - foreign agencies are allowed to set up wholly-owned Indian subsidiaries. But increasing numbers are opting for Indian partners as a way to enter one of Asia's largest emerging markets.

"Multinationals launching global brands in a strange country seek a sense of familiarity and sometimes prefer to deal with one agency worldwide," says Mr Kapur.

At the same time, many

Indian advertising agencies find tying up with international advertising agencies helps them improve their management and generate more billings.

Top agencies (80 per cent of the business is controlled by India's 30 largest agencies) have tied up with some of the biggest names in international advertising. They include J. Walter Thompson, Lintas Worldwide, O&M Worldwide, the Lowe Group, D'Arcy Masius Benton & Bowles, Cordiant (formerly Saatchi & Saatchi), Bozell, and Denton Young and Rubicam.

"Up until now we have resisted an equity relationship because we feel very strongly that a partnership needs more than common business to link it," says Mr Mohammed Khan, chairman and creative director of the Rs450m Entarprise Advertising which tied up with the UK-based Lowe Group in May.

"The very fact that agencies

are finding that it cannot compete with multinationals, foreign banks and financial institutions

are exposed to international partners and to different ways of approaching marketing and advertising problems leads to new standards of creative excellence," says Ms Roda Mehta, director of international client servicing at O&M, whose clients include Seagram's and British Airways.

Ms Mehta points out that international agencies benefit from their association with Indian agencies too. "We create entirely new campaigns for some products like food, which is one category that is very different across the world."

Mr Walter Saldanha, chief executive of Chaitra Leo Burnett, says: "The biggest reason for the tie-ups remains the increase in volumes of business. Most multinational agencies bring with them the experience of launching the product in many countries, so why reinvent the wheel? Tie-ups do not automatically guarantee business."

The speed of the growth is causing some problems. "There is a tremendous dearth of talent and just not enough years of experience," says Ms Mehta. Advertising, which was until recently one of India's best-paid professions, is finding that it cannot compete with multinationals, foreign banks and financial institutions to retain the best marketing professionals.

"Our biggest challenge is managing growth, not growing," says Mr Kapur. "It is important for us to develop the talent to manage that growth, and ensure that they stay in the country."

**HANWHA**

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**Do You Know: What Do We Do?**  
The Hanwha Corp. began in the explosives, machinery and construction industries, but its business domain has grown. Indeed, the company's growth has outpaced even that of the Korean economy in the past 40 years. Besides explosives, machinery, and construction, the Hanwha Corp. also operates activities in electronics, communications, pharmaceuticals, trade, and foods. In terms of region, it is expanding not only into Europe, but also in Asia, North and South America.

**Do You Know: What Do We Want?**  
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If you would like to know more about the HANWHA Corp., please do not hesitate to contact us:  
HANWHA Europe GmbH 65760 Eschborn, GERMANY. Phone: 06196-470492 Fax: 06196-482443/483160



## COMMENT &amp; ANALYSIS

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700  
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## Slow crawl towards Emu

The pupils are making progress, but should try harder. These are the conclusions of the headmaster reports from the European Monetary Institute (EMI) and the European Commission on the convergence efforts of the European Union's member countries. Fundamentally, however, the reports are optimistic. They are right to be so. How can that be so when only two countries - Germany and Luxembourg - meet all the criteria today? The answer is that a number of countries are very close. One, Ireland, has already been accepted, notwithstanding a ratio of public debt to gross domestic product of 88 per cent. On unchanged policies, forecasts the Commission, all members, except Greece, have at least a reasonable chance of meeting the criteria by 1997: 11 have already made it. Eight should meet the fiscal deficit criterion of 3 per cent of GDP, while five more should be within 2 percentage points of that goal. Twelve should also have ratios of public debt to GDP of below 60 per cent, which is lower than Ireland's is today.

Now that the French government has set its course towards fiscal discipline, Emu could be agreed in 1998. But much depends on how painful this discipline will prove. That depends, in turn, on economic growth. The EMI's approach to this issue is just what might be expected of central bankers. It insists that a

successful rebalancing of public finances will require determined action over a sustained period, but also that "credible fiscal consolidation would over time more than offset possible short-term contractionary effects by leading to lower interest rates".

This might even be true. Four of the five largest EU countries - France, the UK, Italy and Spain - suffer from fragile monetary credibility and could be helped by successful efforts to enhance it. France, for example, has reduced its interest-rate differential on 3-month money vis à vis Germany from 3.4 to 1.6 percentage points just over the past month, while the long-term differential has shrunk by 0.3 percentage points.

Meanwhile, the fifth and mightiest - Germany - is more likely to loosen its monetary policy than tighten it. It has already done so twice this year and, given Germany's slow economic growth, modest inflation, sound fiscal position and negligible monetary growth, could soon do so again. The Commission has reduced its forecasts for economic growth in the EU to only 2.7 per cent this year. But it could well rebound.

The EU's structural economic problems, notably high unemployment, have not disappeared. But the clash between satisfactory economic performance and fiscal stabilisation now looks manageable. Emu is conceivable. It would be foolish to assume it is not.

## Ofel versus BT

Ofel, the UK telecoms regulator, is right to argue that it faces a problem. A decade after liberalisation, British Telecom (BT) still controls 97 per cent of customer lines. Ofel and many of BT's rivals complain that the rules do too little to stop BT acting unfairly to retain market share.

At present, BT's licence bans specific types of anti-competitive behaviour, as well as the practice of "undue preference and undue discrimination". But new entrants say that these clauses and general competition law do not cover actions such as predatory pricing, delay by BT in negotiating the terms of access to its network, or short-notice changes in service. Moreover, they complain that UK laws, unlike European ones, have limited deterrent effect, as they do not impose penalties on companies deemed to have acted anti-competitively.

These shortcomings make action desirable. But no solution is easy. The strengthening of the regulatory regime which Ofel has promoted for the past year, and which it aired yesterday at a public hearing, is particularly problematic. Ofel wants to insert in BT's licence an all-purpose clause banning BT from acting in an anti-competitive manner. The definition of anti-competitive would depend on Ofel's discretion.

Mr Don Cruickshank, Ofel's director-general, is right to hold

that the speed of change in telecoms warrants more flexible and faster regulatory tools than other markets. He is also right to remind ministers that if the UK adopted European principles of competition law into domestic legislation, as many companies urge it to do, some of what he requests would be unnecessary. But so far, he has not answered the central, powerful objection that his plans would grant one individual too much power to intervene in the market. As BT rightly argues, this would subject companies to an unacceptable degree of uncertainty.

Ofel will begin statutory consultation on its plans next month, and publish guidelines on its interpretation of anti-competitive behaviour. At the very least, the guidelines should be detailed. Ofel must also make clear that it has yet done whether it would be prepared to be bound by precedents, and should discuss an appropriate appeals procedure.

If BT still objects, the issue will pass to the Monopolies and Mergers Commission. A ruling in BT's favour would end the dispute, at least temporarily - but not solve the problem. BT should be warned: if regulatory solutions fail, the attractions of breaking up BT into network and services, would increase. Imperfect as Ofel's proposals are, BT should not dismiss them out of hand.

## Help Nigeria

The urge to punish the Nigerian military regime for the execution of Mr Ken Saro-wiwa and eight other community activists is understandable. But the wisdom of some of the remedies proposed is at best debatable.

The executions, outrageous though they were, do not warrant the suspension of the country's liquefied natural gas project, to be built by a consortium led by Shell. It will not come on stream for several years. It will burn some of the gas now flared, responsible for a number of today's environmental problems. Should it be delayed, an important foreign exchange earner for a future democratic government could be set back for years.

Nor do the executions provide the United Nations with grounds for oil sanctions. Nigeria is not a threat to its neighbours, as South Africa clearly was. And it is different in another way. It is polarised between the mainly Moslem north and the largely Christian south. The predominantly northern army-backed elite relies on political power for the patronage which provides economic rewards. An oil embargo risks destabilising an already fragile state, whose weak and fractious opposition has yet to find common cause.

Helping the opposition resolve its differences should be part of the role of the eight-country ministerial group established at the Commonwealth summit in Auckland, and which includes Britain and South Africa.

It can help do this by convening a preliminary conference, held outside the country, of opposition

leaders. Chief Abiola, the detained winner of the aborted 1993 presidential election, can play a crucial part by giving such a conference his blessing, and waiving his claim to office.

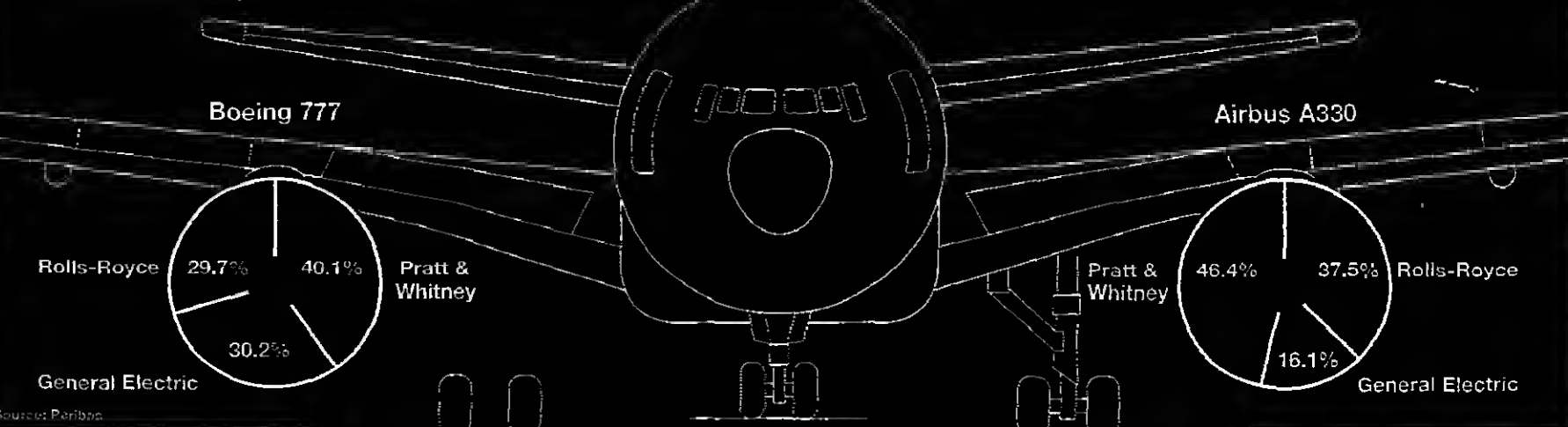
Meanwhile pressure can be maintained on the regime until it agrees to participate in talks leading to an early return to democracy. Measures short of an oil embargo, such as the visa restrictions and the arms and spare parts embargo now in force, should be employed. The feasibility of seizing assets held abroad by senior officials of the regime should also be explored.

Nigerians must also be offered hope for the future. The country's external debt is approaching \$40bn, and repayment arrears are mounting. Saddling a new government with this burden will undermine democracy. Creditors should table a package of radical and substantial debt relief proposals, conditional on an IMF approved economic reform programme, and on the presence of external monitors in the oil and finance ministries and the Central Bank.

Meanwhile the army must be encouraged to take part in the negotiations through the offer of a demobilisation fund which would help retrain soldiers who wished to return to civilian life, and golden handshakes should be offered to senior officers otherwise tempted to remain in power to enrich themselves.

Nigeria's problems are susceptible to no quick fix. The country will need international support and assistance long after outrage has abated.

## Market share



Mr Bob Wolfe never under-estimated Rolls-Royce's determination to take one of his best customers away from him. "Rolls had their backs to the wall," says Mr Wolfe, head of the large aircraft engine business at Pratt & Whitney, the US manufacturer.

But Singapore Airlines' order this month for 157 Rolls-Royce Trent engines to power its Boeing 777s still shocked Pratt & Whitney. Singapore, previously a loyal Pratt customer, had never bought a large Rolls-Royce engine before.

Mr Wolfe called his staff together and told them it counted for little that they had built one of the most sophisticated machines in the world. All the airlines cared about was price, and Rolls-Royce was prepared to accept the lowest.

The world's three leading aircraft engine manufacturers - Pratt & Whitney, Rolls-Royce and General Electric of the US - are fighting furiously for orders from airlines still reluctant to order aircraft after the worldwide recession.

The two US manufacturers believe the industry cannot continue spending hundreds of millions of dollars on developing new engines only to sell them at knock-down prices. In developing future engines, they say, they might have to set aside their rivalry and make them together.

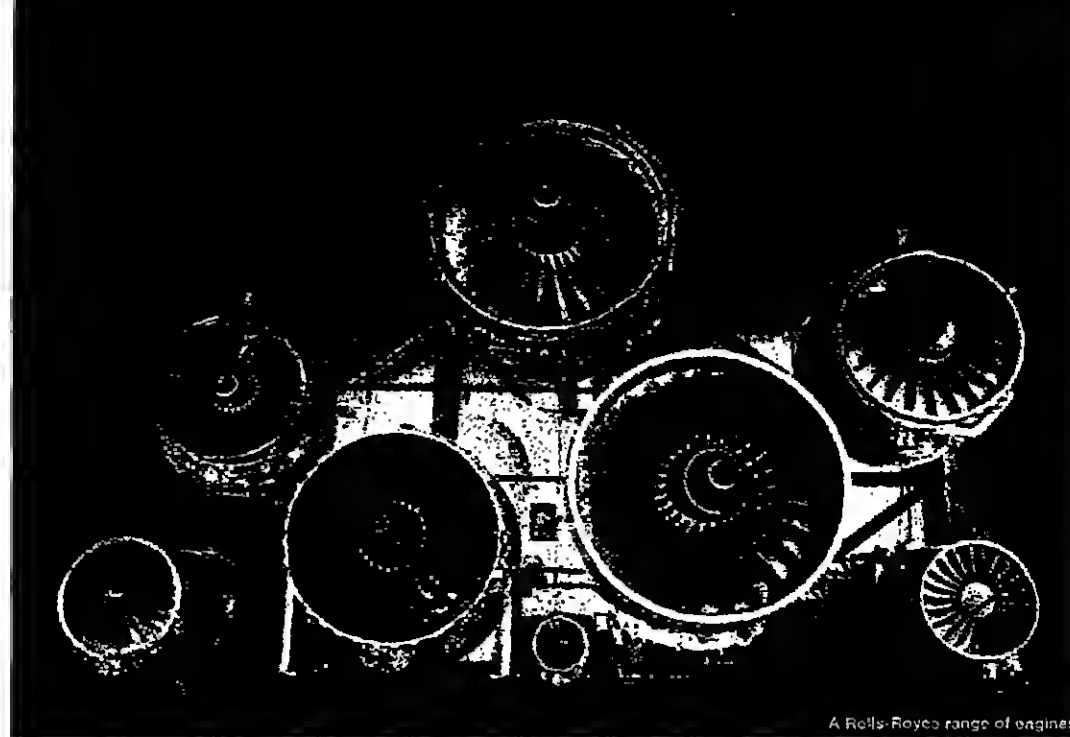
Rolls-Royce is more reserved about the idea of collaborating, preferring to savour its recent victory. The UK company knows how Pratt & Whitney feels: four years ago British Airways abandoned Rolls-Royce, electing to buy engines for its Boeing 777s from GE. Analysts believe BA agreed to buy from GE because the US company was purchasing BA's engine overhaul business in south Wales.

The desertion by BA had dogged Rolls-Royce ever since. Why should we buy your engine, customers asked, when even your national airline does not want it? There were persistent rumours, always denied by Rolls-Royce, that it would have to merge with Pratt & Whitney.

The order from Singapore, one of the world's most profitable and respected airlines, will still air-line doubts remaining from the BA defeat. It is also likely to ensure Rolls-Royce's independence into the next century. "There's no question this remains a three-horse race beyond the end of this decade," says Mr Chris Avery, an analyst at Paribas Capital Markets.

Mr Avery says there would have been little point in Rolls-Royce merging with the Singapore company even before the Singapore order. The only reason for merging would be to save money on engine development. But the three large manufacturers have already spent millions developing engines for the new generation of twin-jet wide-body aircraft: the Airbus A330 and the Boeing 777.

Rolls-Royce will not say how much it spent on the Trent, but it is believed to be more than \$500m.



they say, engine companies will offer a package including service, maintenance, training and keeping track of spares. The advantage to the airline is that the cost of running engines would be predictable.

The engine manufacturers would benefit from a consistent flow of cash instead of having to wait years for spares to be ordered. The engine companies say this could go even further. Airlines could pay for the engines according to the amount of time they use them - "power by the hour", as the manufacturers call it. These ideas are still in their infancy. GE has turnover of \$2bn annually from the provision of spares and engine maintenance. It has a contract with BA to service both GE engines and those from other manufacturers.

Rolls-Royce has long-term contracts to overhaul engines for China Eastern Airlines and UK charter operators Airtronic and Air 2000. Rolls-Royce provides a "power by the hour" service for some business jets which use its smaller engines. But the manufacturers concede it will be some time before their idea of full engine service contracts become the norm.

Mr Eugene Murphy, chief executive of GE aircraft engines, has a more radical proposal: that the engine-makers stop competing to supply engines for each aircraft model. Instead, aircraft manufacturers should select one company to provide all the engines for a particular aircraft. There are some precedents for this: the Boeing 737 and the Airbus A340 are available only with CFM engines, manufactured by a long-standing joint venture between GE and Snecma of France.

Pratt & Whitney supports this idea, but Rolls-Royce doubts airlines will ever accept it. In any event, there will be no need to develop a completely new engine for years. While the three big manufacturers are planning high thrust engines to power enlarged and heavier versions of the 777, these will be based on existing products. Future projects, such as a "super jumbo" version of the Boeing 747, will be able to rely on the engines which have been made for the wide-body twin-jets. Rolls-Royce says that even an aircraft carrying 1,000 passengers could be powered by four Trent engines.

A super-jumbo successor to Concorde would require new engines, which no single company could profitably develop on its own. But there is no certainty that a new super-jumbo will be developed and, if it is, its launch is likely to be years away.

In the meantime, the industry is waiting for airlines such as Air China and South African Airways to select engines for Boeing 777s. There may not be many orders about, but those that come will be fought over furiously by the three big manufacturers. And the airlines know that in the present climate it would be foolish to overpay.

## On a wing and a prayer

The big three aircraft engine-makers are fighting a cut-throat battle for scarce orders, says Michael Skapinker

Pratt & Whitney has so far spent \$80m on its PW4000 engine series. GE spent \$1.5bn creating its GE-90 engine for the 777. While it is unlikely to fall victim to a takeover from one of its direct competitors, Rolls-Royce is still at a disadvantage to GE and Pratt & Whitney, which are part of far bigger industrial groups with greater financial resources. It has to compete against them in a market in which profits are difficult to find.

Rolls-Royce's competitors are convinced that it gave huge discounts to Singapore on both the engines and future spare parts. One aerospace executive says: "It wasn't an order they could afford to lose. They took a considerable loss up-front on the sale of the engines and gave concessions on the spares. It will be many, many years before they make money on the deal."

Rolls-Royce does not explicitly deny these rumours. The group says it makes money on selling aircraft engines overall but adds: "We do recognise that some competitors are more aggressive than others. We never comment on individual

contracts and whether they make money or not." Rolls-Royce says it does not believe price was the deciding factor in the Singapore competition and that the airline was more interested in the Trent's superior technology.

Analysts are sceptical about this version of events. "No one of the three holds an decisive advantage on technology," one analyst says. Past events have demonstrated that factors other than price can play a role, as shown by the resistance Rolls-Royce encountered after it lost the BA order. Mr Vince Di Giovanni, market development director at GE aircraft engines, admits his group had to spend a lot of time reassuring customers after the GE-90 engine ran into technical problems - now resolved - during testing.

Price, however, remains the most important negotiating point. While aircraft purchases this year will be higher than in 1994, there are still few buyers. Boeing, the world's largest aircraft maker, has attracted close to 300 orders this year, compared with only 120 last year.

But this is small compared with the nearly 700 orders Boeing won in 1993. Boeing does not believe aircraft orders will pick up substantially until well into the next century. Until then, airlines will be in a strong position when negotiating prices for aircraft and engines.

Engine-makers have another difficulty: their products have become too reliable. The three big manufacturers used to be happy to give discounts on engine sales, knowing they would make their profits by providing spare parts. Today, engines require fewer spares.

Rolls-Royce says engines used to have to be taken off the wing for a full overhaul every three or four years. They now have to be taken off every six or seven years. Aircraft engine companies used to compare themselves to razor manufacturers who sell razors cheaply and make money on the blades. "Now we're not getting a return on the blades," says Mr Wolfe.

The answer, the manufacturers say, is to sell airlines a full engine service rather than just providing them with equipment. In future,

## OBSERVER

## My kingdom for a port

With the handover of Hong Kong to Chinese rule now just 19 months away, attention is turning to the actual arrangements for the ceremony on June 30 1997.

Prime Minister and the royal yacht Britannia have been booked for the occasion. Having handed over the keys at midnight on the appointed day, the Prince and Mrs Patten, the governor, will climb aboard Britannia and sail off into the dark.

But where too? There's no suitable port within a short steaming distance for the party to disembark and transfer to an aircraft. Hong Kong's own airport - across the water in Kowloon - is closed at night. The new one, which will be operational 24 hours a day, will not be complete.

Macau, just across the Pearl River mouth, might be suitable; it already boasts a new airport, but it is too close to its own return to China, where Patten is pretty much persona non grata. Taiwan is out of the question. It looks as though they'll have to sit tight until they reach the Philippines, some 600 miles away.

As for China, it will have its own very large party the following day. Expectations are that Jiang Zemin, China's president, will come down personally to inspect the territory, after the British have left.

But he may not be able entirely to avoid them in 1997 - he's scheduled to be in Hong Kong in October, to address the annual meetings of the International Monetary Fund and World Bank.

## Somalian stink

The past always catches up with you, particularly in Africa. For the past two days, well-heeled officials turning up for work at the UN's headquarters in Nairobi have been nonplussed by the presence of some 50 irate Somalis, singing "We'll never walk alone".

They are employees of the Sewage, Drainage and Building Company (SDBC), which pumped thousands of gallons of waste out of the latrines of the huge UN compound in Mogadishu, before the mission wound up in March.

Now the SDBC workers claim they are owed \$1.4m in back pay, and dare not return home without it for fear of being shot by 340 colleagues. The UN has offered them \$153,000.

They regard that as just about enough for an insult, saying the job wasn't just messy but was also dangerous. "Some of our friends died while cleaning," explains one of their number.

his French counterparts yesterday. During a visit to Bonn, the Danish hopeful for the vacant post of Nato secretary-general was asked what he thought of a local press report trailing the name of Hans-Dietrich Genscher, the former German foreign minister, as a possible candidate for the job.

Genscher would be a formidable Nato leader, the Dane conceded, but then, switching to French, he said: "But I don't think Hans-Dietrich speaks French and that is a problem."

With that elegant improvisation Ellemann-Jensen immediately cast doubt on France's claim that he would be unsuitable for the Nato job because of his inability to speak French.

If only he could remove the French government's dislike of his opposition to nuclear testing with such ease...

## Just defenestrate it

So why is the European Commission tarrying so long before committing itself to print, in the Official Journal, on the little matter of the Crédit Lyonnais rescue package? After all, the Commission approved the thing nearly four months ago.

Sources in the European Commission suggest French civil servants are to blame. The Ministry of Economics in France in turn points the finger to the national parliament, which took

until last week to rubber-stamp the law permitting the rescue plan to go ahead.

And the deputies? They cast aspersions on Brussels' interpreters, who have apparently been arguing how to translate "defeatism" into Finnish.

## The Leeson style

Nick Leeson landed in Singapore yesterday dressed head to toe in Adidas kit. The German sportswear maker was quick to deny any suggestion that it had signed a sponsorship deal with the man who broke the bank.

Meanwhile, as the former master trader settled down in his rather spartan room - courtesy of the Singapore police - a group of financiers was gathering for drinks and dinner at a hotel not too far away. This weekend the regional investment and fund managers of Barings are having a bit of a knees-up in the island republic.

## Nominal worker

Daimler-Benz is considering dismantling AEG, its electronics subsidiary and one of Germany's oldest industrial companies, with about 10,000 job losses, according to an internal document leaked to the head of AEG's works council - Peter Sackenheim. Well, he could hardly stand idly by and watch with a name like that, could he?

## Financial Times

## 50 years ago

Last Lap at Washington  
The common interest of Britain and the United States in the rebuilding of international trade should be a guarantee of a successful outcome to the financial talks in Washington. Despite this it is now common knowledge that the negotiations have more than once been on the verge of breakdown. According to the latest and supposedly reliable reports, however, Lord Keynes' proposed departure has stimulated agreement on at any rate some of the main issues under discussion.

In particular, the United States is reported to have offered a credit of \$5,500 millions, plus \$500 millions to be applied in the liquidation of lease-lend "obligations" and our representatives to have accepted both this scaled-down capital figure and the proposed interest rate of 2 per cent.

More important, America is now willing that interest payments ruled out in any particular year by an unfavourable British balance of payments shall be not merely postponed but definitely waived. In other words, this country could enter upon an agreement with the confidence that its liability would definitely terminate in 50 years time.



## Ex-Barings trader in Singapore to answer charges over bank collapse

### Leeson faces his toughest deal

By Kieran Cooke in Singapore

The boss with a little too much lipstick wishes you welcome to Singapore.

Then, as the aircraft glides across the tarmac at Changi airport, the traveller's attention is drawn to the stark, red words on the landing card, "Death for drug traffickers in Singapore".

The country, with its strict laws and numerous regulations, can be intimidating for the jet-lagged and faint-hearted. Yesterday Mr Nick Leeson, former ace futures trader, returned to his fate in the island republic.

He faces 12 charges of forgery and illegal transfer of funds over the \$1.1bn collapse of Barings, the British merchant bank.

After a 12-hour flight from Frankfurt, he looked tired and nervous as he strode through the marble clad arrivals hall. A posse

of more than 20 police surrounded him, trying to keep the crowd of cameramen and journalists at bay.

"How does it feel to be back, Nick?" someone yelled. Mr Leeson, without his glasses and with a black baseball hat pinned, rap style, backwards on his head, stared straight ahead.

In a green sweatshirt, grey sweatpants, white socks and running shoes, he looked more like a slightly overweight footballer than the man who broke a bank. Singapore has fought long to have Mr Leeson returned. Now it wants to push its case through the courts as quickly as possible.

Mr Leeson left Singapore as Barings crumbled in late February. Since early March he has been in prison in Germany.

Mr Leeson was bundled into the back of a car and whisked off to the offices of Singapore's Com-

mercial Affairs Department, the main investigator in the Barings case. He has said he will co-operate fully with investigators. He is due to appear in court today to hear the charges against him. Lawyers say he might plead guilty to avoid a trial.

Singapore has hinted at a belief that senior Barings executives took part in a desperate attempt to cover up Mr Leeson's losses after these started to surface within Barings in the two months before the bank's collapse on February 26.

There is speculation in Singapore that Mr Leeson may try to reduce his prison sentence by claiming he was more of a scapegoat than a rogue, and that senior executives were aware of his hidden trading in an account numbered 88888.

He did not make that allegation in an earlier television interview.

If he does now, the Singaporeans could try to extradite some senior ex-Barings figures from the UK, and call Mr Leeson as a prosecution witness in another trial.

Mr Leeson made it very big, very young. At 26, he was head of the 25-strong Barings Futures team in Singapore. Sitting under a faded union flag on the floor of the Singapore International Monetary Exchange (Simex), Mr Leeson would trade futures worth millions each day.

Afterwards he would often go down to the bars on the quay by the Singapore river and drink jugs of the local Tiger beer with his fellow traders.

Last night the routine continued, without Mr Leeson. "Five years and he'll be out," said one. "He's got something up his sleeve, just you watch," said another. "No one better than Nick for making a deal."

## THE LEX COLUMN

### Crossed wires

FT-SE Eurotrack 200:  
1549.6 (-3.3)

Compagnie Lyonnaise des Eaux

Share price relative to the

S&P 120 index

110

105

100

95

90

85

80

75

70

65

60

55

50

45

40

35

30

25

20

15

10

5

0

Source: FT-SE

cut more costs. But the signs are not promising. For one thing, the company has promised to make no compulsory redundancies. And its plan to keep two joint chief executives, not to mention the entire Northumbrian board, does not suggest a tautly focused operation.

Lyonnaise is also paying a very high price - a 60 per cent premium over Northumbrian's share price in March, when it first said it planned to bid. Lyonnaise may argue that the deal will still enhance earnings, but this means little: the earnings stream will be of lower quality. Lyonnaise shares are trading on an extravagant rating - 31 times this year's expected earnings. Taking on a large chunk of debt to expand in the UK's highly-regulated water sector can only bring this down.

#### Crédit Lyonnais

Crédit Lyonnais' forced sale of overseas assets to meet the European Commission's conditions for its FF145bn (\$30bn) rescue plan may be more substantial than originally thought. Instead of 50 per cent, it may have to dispose of 60 per cent of its European banking network (outside France), according to a letter to the Commission from the former French finance minister. So far, Crédit Lyonnais has managed to use such sales as an opportunity to clean up its portfolio, for example by selling Crédit Lyonnais Bank Nederland to Belgium's Generale Bank. If Crédit Lyonnais were forced, as a result of tougher terms, to sell its German subsidiary BfG Bank, this would be an irritation. After prolonged difficulties, that investment may be just starting to come right.

Still, the pruning of Crédit Lyonnais' ambitions to become a European banking force is no bad thing. If it manages to concentrate more effort on areas of traditional strength like trade finance, the result may even be better margins. Given its limited capital resources, some shrinkage is helpful. The day is approaching when Crédit Lyonnais will again function as a normal bank. Most of its exposure to French property has been written off. The management's cost-cutting aims are among the most aggressive in the industry. However, much of the recovery is already priced in, following the rally in French bank stocks this autumn. At around FF300 per share, Crédit Lyonnais is no longer cheap.

See additional Lex comment on Amer, second section

## Crédit Lyonnais rescue plan may involve bigger sell-off

By Andrew Jack in Paris

Executives at Crédit Lyonnais, the state-owned French banking group, are set to come under pressure to sell off a higher-than-expected proportion of European assets in exchange for the European Commission's approval of its rescue plan.

The Financial Times has obtained a letter written in July to the European Commission by Mr Alain Madelin, the minister of economics and finance who was sacked in August.

In it he refers to the French government's intention to ensure the sale of half the bank's European network outside France over the next three years.

The pledge was made during last-minute negotiations this summer to ensure that the EU competition commissioner approved a FF145bn (\$39.8bn) rescue plan for the bank, underwritten by France.

It stands in sharp contrast to the publicly-stated intention of the French government and Brussels to sell off just 35 per cent of the assets of Crédit Lyonnais around the world.

If the demand for a sale of 50 per cent of the European network is met, Crédit Lyonnais would have little choice but to sell off such important assets as BfG Bank in Germany, which could threaten its commercial strategy.



Alain Madelin's letter talks of the bank shrinking its network

The letter dated July 18, shortly before the announcement of approval by Brussels of the rescue plan, appears to contradict public assurances given by Mr Madelin that no "side letter" existed which committed the French government to ensure a sale above this 35 per cent limit.

The letter says the French authorities agree, as part of the restructuring package, that Crédit Lyonnais will, before the end of 1996, reduce "in a very significant way" its commercial presence abroad "and particularly in Europe".

The next paragraph reads: "In total, this reduction in the commercial presence outside France will reach 35 per cent in terms of

assets, which represents 50 per cent of the network in Europe." The pledge is made in a legal challenge because it is poorly worded.

In fact, in 1994 Crédit Lyonnais had enough assets elsewhere in the world that it could theoretically sell all or most of them and still manage to retain much more than half its non-French banking assets in Europe.

But officials in Brussels stress that they take this sentence as a sufficient guarantee that the 50 per cent target will be respected by the French government overseeing the bank's restructuring.

However, officials at the French Ministry of Economics - as well as executives at Crédit Lyonnais - continue to maintain that the only pledge they have given is for the sale of 35 per cent of the assets around the world.

They are still waiting for publication of the text showing the conditions for the rescue plan in the European Commission's Official Journal which, in a highly unusual delay, has still not been published nearly four months after the approval was granted.

Commission sources, who claim the French government has been holding up the publication, say the final text may not include a public mention of the 50 per cent demand.

See Lex

## AEG split 'planned'

Continued from Page 1

group had prepared recommendations, but denied any decisions had been taken, or that one was imminent.

The company said the works council's figure of estimated job losses "bear no reality in fact". It was still evaluating whether a decision to turn some of AEG's units into separate legal entities required approval by an extraordinary shareholders meeting.

The works council is preparing to enlist support among the Social Democratic government of the state of Hesse, and from Mrs Petra Roth, the Christian Democratic mayor of Frankfurt.

Mr Sackenheim said the documents showed that AEG, whose activities include railway engineering, microchips, diesel engines, energy, and automation systems, would be broken up into 20 separate companies. Some would be sold, some may close, and a small number would remain with Daimler-Benz.

He said a break-up would also make it unnecessary to retain AEG as a separate company and its headquarters in Frankfurt could be shut with a loss of 700 jobs. Frankfurt would be among the cities hardest hit by the break-up, with job losses expected to run to 1,500.

Shareholder criticism has forced Daimler-Benz to change from an "integrated technology concern" towards a narrowly focused transportation group. "This is not an economic decision, but a strategic decision. Even though it does not make sense financially to dismantle AEG, we no longer seem to fit into their new strategy," Mr Sackenheim said.

Of the existing AEG units, Daimler-Benz wants to retain the railway rolling stock operations, brought into a joint venture this year with ABB, the Swiss-Swedish engineering company; Temic, the electronic components manufacturer; and MTU, which makes diesel engines.

## EU told to reform CAP before enlargement

Continued from Page 1

on price support, compensated where necessary by direct payments, should be extended. Direct income payments could also be linked more to environmental and social issues.

The shift in aid payments would be tied to the expected implementation of a broader

rural development policy. The report does not address what impact the reforms would have on the EU farm budget, although the rural development policy is expected to fall within existing limits.

Mr Fischer also makes a strong case for giving more freedom to member states to implement EU legislation. Although he

rejects giving member states responsibility for aid payments, he favours allowing governments more power to implement policy. Mr Fischer also warns that EU will not be able to meet its obligations under a new world trade round if it maintains present policies and that the farmers will have to adapt to exporting produce without subsidies.

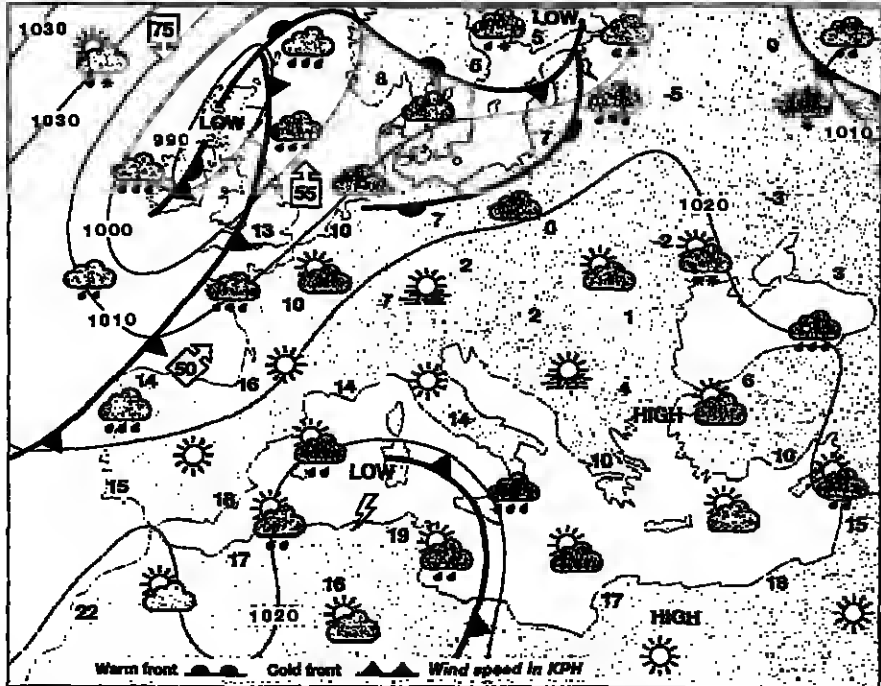
## FT WEATHER GUIDE

### Europe today

Low pressure over Scotland will cause cloud and outbreaks of rain in the British Isles. England will have strong breezes. A strong northerly air flow, accompanied by showers, will reach Ireland in the afternoon. Southern France and Spain will be dry and mostly sunny. Cloud and rain will spread across north-western Spain and Brittany. It will be cloudy but mainly dry in northern France, the Benelux, northern Germany, Denmark and southern Scandinavia. The south-west coast of Norway will have rain. A high pressure system over the Balkans will promote calm conditions with sun and fog patches from Athens to Moscow. Sardinia and the Israeli coast will have a few showers.

### Five-day forecast

Scotland and western Norway will be unsettled with rain at times. A low pressure system in the western Mediterranean will direct dry Saharan air to the north. The air will become very humid as it crosses the Mediterranean resulting in heavy rain along the Riviera and in Italy and later in Albania and western Greece. A high pressure system will promote calm conditions in the Black Sea region.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

### TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp	Location	Temp
Madrid	17	Beijing	10	Caracas	28	Paris	12	London	10
Abu Dhabi	28	Cebu	28	Cardiff	11	Frankfurt	10	Amsterdam	10
Agra	32	Delhi	32	Chicago	10	Glasgow	10	Athens	18
Algiers	17	Bombay	28	Cologne	10	Hamburg	10	Brussels	10
Amsterdam	10	Bogota	10	Dakar	28	Helsinki	10	Budapest	10
Atlanta	10	Bombay	28	Dallas	21	Hong Kong	27	Chengdu	10
B. Aires	26	Buenos Aires	26	Dubai	28	Honolulu	28	Cairo	10
B. Aires	26	Buenos Aires	26	Dubai	28	Isle of Man	10	Calcutta	28
Bangkok	28	Buenos Aires	26	Dubai	28	Jersey	10	Caracas	28
Barcelona	15	Buenos Aires	26	Dubai	28	Kuala Lumpur	28	Cardiff	11
						L. Angeles	28	Chicago	10
						Los Angeles	28	Cologne	10
						Lisbon	10	Dakar	28
						London	10	Dallas	21
						Luxembourg	10	Dubai	28
						Lyon	10	Dubai	28
						Madeira	10	Dubai	28

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## INTERNATIONAL COMPANIES AND FINANCE

# Argentine brewer aims to tap Latin American neighbours

Despite losing Canada's John Labatt to rival bidder Interbrew, Quilmes is still seeking to expand, reports David Pilling



Latin American brewing

Argentina may not quaff beer to the extent of their UK, US or even Venezuelan counterparts, but to an ambitious brewer, such as Quilmes is part of their attraction.

"There's still plenty of room to expand," says Mr Norberto Morita, chief executive officer of Quilmes International, which controls nearly four-fifths of Argentina's beer market. He believes Argentine consumption, currently at an annual 38 litres a head, can "easily surpass" 50 litres.

This is not an unrealistic target, in spite of a drop in Argentine beer sales this year as a result of Mexican-related recession. In the UK, per capita consumption is about 106 litres, while Venezuelans, Latin America's most devoted beer drinkers, manage 70 litres a year. From a brewer's point of view, Argentines are already on the right track: consumption has quadrupled since 1982.

Much of that increase is due to the efforts of Quilmes, 85 per cent owned by Luxembourg-based Quinsa and 15 per cent by Heineken, the Dutch brewer that has provided technical help for Quilmes since 1984.

Quilmes, which also operates in Bolivia, Chile, Paraguay and Uruguay, has spent years aggressively marketing beer as a light, modern drink and an alternative to wine.

Quilmes' campaign has been aided by Argentina's economic stabilisation which - notwithstanding this year's downturn - has substantially increased disposable income since 1981. As wine consumption has dropped, beer sales have swelled. Quilmes has met demand by quadrupling production since 1985 to 12m hectolitres. Net sales surged from \$271m in 1990 to \$754m last year, profits rose from \$16.1m to \$86.7m over the same period.

Much of the resulting cash flow has been ploughed back into upgrading technology. Quilmes has invested \$300m in new plant in the past three years without recourse to borrowing, and 60 per cent of production capacity is now in plant that is less than six years old. While increasing its volumes, state-of-the-art technology has enabled the company to cut staff by 2,000 to 5,000 since the mid-1980s.

This year has been harder. Argentina's recession caused Quilmes' beer sales to drop 3.3 per cent in the first half of 1995. That, together with the launch of a mineral water business and costs of an unsuccessful

bid for John Labatt, the Canadian beer and entertainment group, lowered six-month profits 29 per cent to \$25.3m. Gross margins and operating margins were also down.

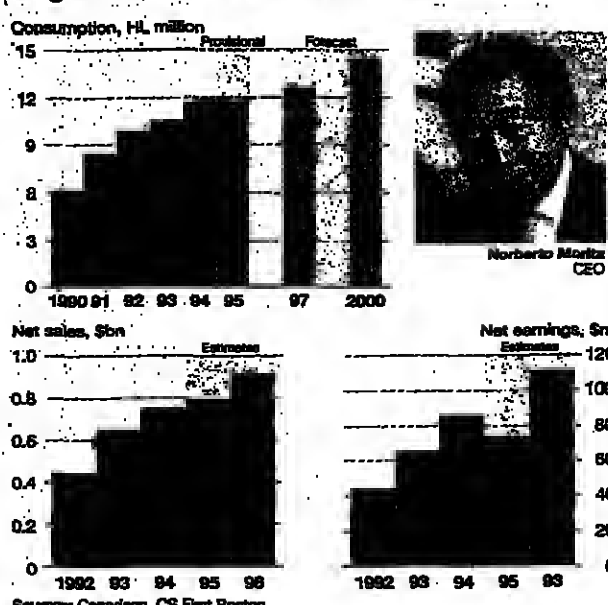
"There's been a significant reduction of growth pattern this year - it's definitely not the boom time we have been used to year after year," Mr Morita says. However, he denies this is anything other than a temporary blip. Structural reforms in Argentina, and the other Latin American countries in which Quilmes operates, ensure the "long-term trend is inevitably upwards".

As well as recession, Quilmes has to contend with greater competition from Brahma of Brazil and Warsteiner of Germany, both of which have recently started producing beer in Argentina. In particular, Brahma has mounted a strong marketing campaign and is offering big price discounts.

Quilmes has so far maintained its grip with 78 per cent market share, but analysts believe competition could stiffen, particularly if Brahma makes improvements in distribution and stops diverting Argentine production to Brazil's booming market.

Mr Morita says Brahma's 7

## Argentina's beer market



Sources: Canadian, CS First Boston

brands, share has risen from practically nothing in 1980 to 12.6 per cent last year. In Uruguay, a relatively sluggish market, the company has maintained its dominant position, while this year it has moved into Bolivia with the purchase of 50 per cent of a Santa Cruz-based brewery.

Such expansion, though impressive, has concentrated on countries with relatively small populations. "Now they are in most parts of Latin America, save the two most important markets - Mexico and Brazil," says Ms Lavina Agnew, Latin American beverage analyst at ING Barings.

Ms Agnew believes entry into Brazil - whose 150m consumers and newly-found economic stability makes it Latin America's most exciting prospect - will not be easy. Brahma and Antarctica, Brazil's other big brewer, have forged strategic alliances with the US companies Miller and Anheuser-Busch respectively, and Heineken already has a stake in Kaiser, the country's third-biggest brewer.

Mr Morita acknowledges the potential of Brazil, but says Quilmes will not be drawn into attacking this market merely for the sake of "symmetry" - to emulate Brahma's encroachment on Argentine turf. "We are constantly in contact with

companies in Brazil," he says. "But we will make the moves in a carefully planned way." Quilmes served notice earlier this year that it was prepared to pounce on opportunities, when it agreed to put up \$300m as part of a bid for Labatt. Although Interbrew of Belgium subsequently trumped the Quilmes consortium, Mr Morita demonstrated his company's global ambitions.

Femsa, the Mexican brewer in which Labatt held a stake, was by no means the only motive for Quilmes interest, Mr Morita says. Just as important was Labatt's management skills in Canada's mature market, which would have complemented Quilmes expertise in the fast-growing Latin American environment.

"The reason they jumped for Labatt is that, with the brewing business going global, they need a global presence, and there really aren't that many options around," Ms Agnew says.

Mr Morita agrees, saying Quilmes is "very opportunistic" and likely to make an acquisition soon. "We will focus on Latin America. But should opportunities arise outside the region," he warns, "we will jump." This is the first in series of articles on Latin American brewing companies.

## T-D Bank pays more on record earnings

By Bernard Simon in Toronto

Toronto-Dominion Bank has opened Canadian banks' annual reporting season with record earnings and its third dividend increase in two years.

Net earnings climbed from C\$683m, or C\$2.14 a share, to C\$794m (US\$586.5m), or C\$2.51, for the year to October 31. Return on equity rose from 13.3 per cent to 14.3 per cent and return on assets from 0.73 per cent to 0.76 per cent.

The quarterly dividend was raised from 22 cents to 25 cents a share.

T-D is the second smallest of the six big Canadian banks with assets of C\$108.8bn on October 31.

Loan loss provisions almost halved to C\$180m, the lowest level in more than a decade. The non-performing loan portfolio stood at C\$704m on October 31, down from C\$727m a year earlier.

Fourth-quarter earnings grew 15 per cent to C\$226m. In addition to lower credit write-downs, the improvement was ascribed to record fee income, gains on securities investments, and stronger retail and US banking business.

## Cott shares plunge after surprise loss

By Bernard Simon

Cott, the Toronto-based private-label soft drinks maker, lost almost a quarter of its market value yesterday after stunning the market with news of unexpected losses, a hefty restructuring charge, and a retreat from several businesses.

The setback is the culmination of gradually growing doubts about Cott, whose rapid growth over the past three years has strained its resources and drawn an increasingly aggressive response from competitors.

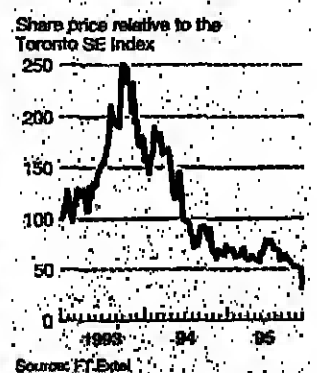
Cott has been in the vanguard of efforts to persuade retailers to replace brand-name beverages, notably Coca-Cola and Pepsi-Cola, with their own labels. The private-label concept is based on the argument that retailers enjoy wider margins and more control over distribution and marketing.

Cott's annual sales have soared from C\$43m in 1990 to C\$1.5bn (US\$960m) this year. But critics have accused it of aggressive accounting practices and unreliable profit forecasts.

Mr Gerald Pencer, chairman, said yesterday: "Our focus now is to increase our profits, and quickly." He said future sales growth would be limited to about 15 per cent a year. Sales for the third quarter ended October 28 are estimated by management at C\$340m, or 31 per cent higher than a year ago.

Third-quarter operating

### Cott



Source: FT-Excel

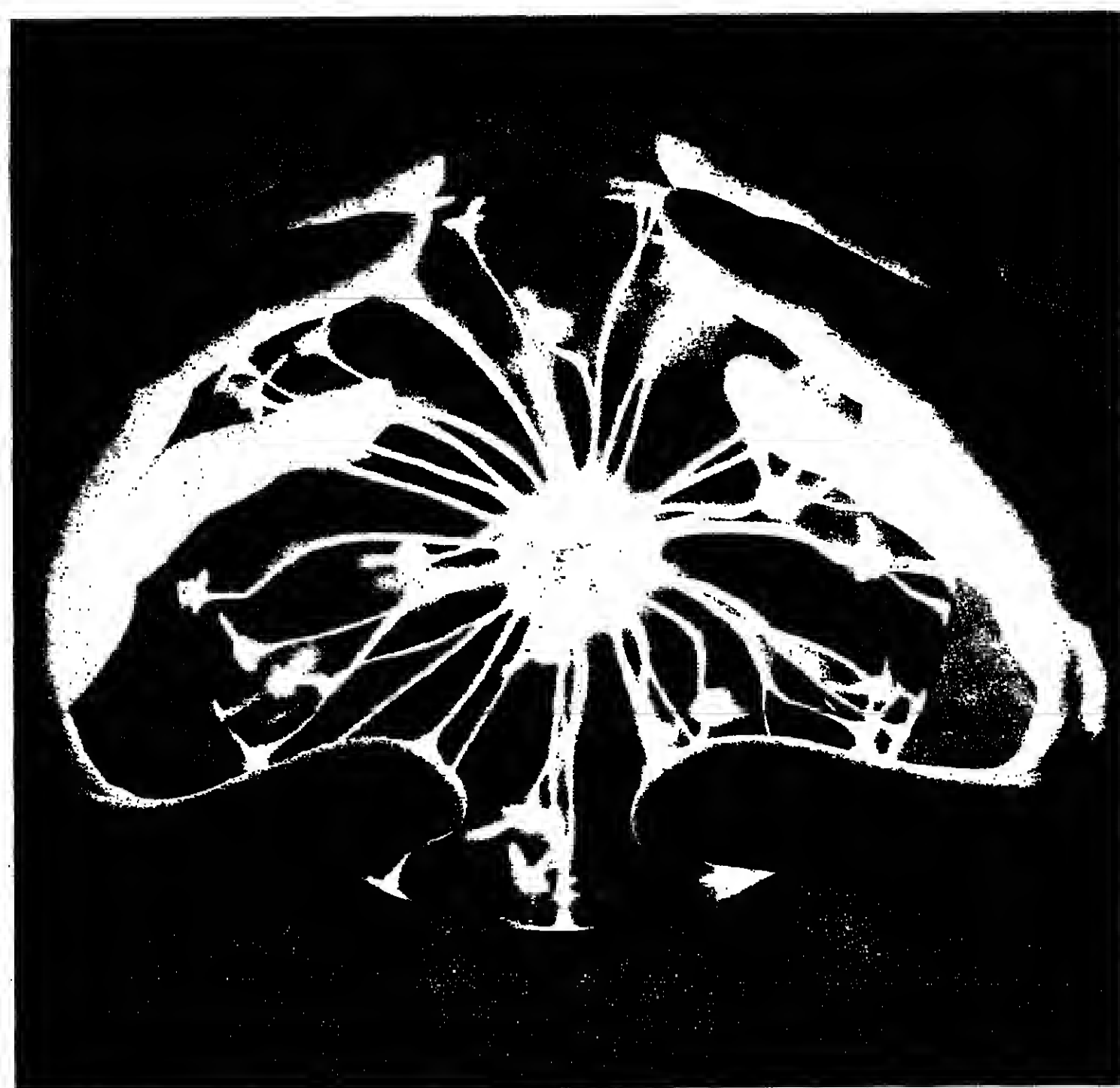
losses are estimated at C\$25m, excluding C\$8m in restructuring charges. A further C\$32m will be charged against fourth-quarter income. Net earnings for the full year are expected to slide to about C\$5m from C\$34.8m.

Cott's shares were trading at C\$6.83 on the Toronto stock exchange yesterday, down from their late-1993 peak of C\$48.62.

Ms Jennifer Solomon, analyst at Josephthal Lyon and Ross in New York, said: "What we've had from this company all along is lots of surprises. In the past, it focused on top-line growth as opposed to profit growth. Now that's changing."

Cott plans to cut its workforce of 2,000 by about 11 per cent. It will focus on North America and the UK, shelving plans for further expansion in east Asia and continental Europe. Asset sales are expected to raise C\$65m.

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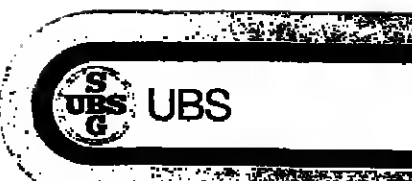
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## COMPANY NEWS: UK

## Slump in forex volume expected to hit Exco

By Patrick Harverson

The slump in trading volumes on world foreign exchange and money markets caused more blood to be shed in the City yesterday when Exco, the moneybroker group, issued a profits warning and said it was taking further steps to cut costs.

Those steps are likely to involve further redundancies and pay cuts, although the group - which saw its shares drop 21p to a new year low of 120p - would not be drawn on how many more jobs might have to go. Exco said it would take a 54m (£4.3m) restructuring charge to cover the costs.

The group has already saved £15m this year by reducing its headcount by 218 to 1,586 and slashing pay packages in an attempt to bring costs more into line with the lower levels of trading activity.

Analysts yesterday lowered their full-year profits forecasts from about £31m to between £20m and £25m, against £43.5m

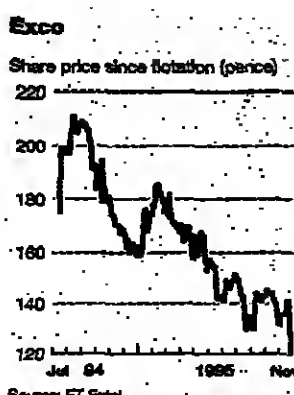
in 1994. The downgrades followed Exco's warning that turnover this year would fall by about 13 per cent, leaving annual profits "markedly" below current market estimates.

Despite the bleak outlook, Exco said it would be able, barring "unforeseen circumstances", to pay a final dividend of 6p and maintain the total annual payout at 9p.

Mr Peter Edge, chief executive, said cost-cutting at Exco was an "ongoing process". He said: "This is not a knee-jerk reaction. We are steadily trying to bring down the cost base and become more efficient."

Exco and other City brokers have been hit hard this year by reduced volatility on financial markets, a fall in currency and government bond trading by banks, and declining brokerage commission rates.

Also, on the spot foreign exchange market, the traditional brokers have lost business to newer electronic dealing systems run by Reuters,



the financial information group, and EBS, an operator owned by a consortium of commercial banks. The increased competition and the general deterioration in market conditions has forced many firms to lay off brokers and cut staff wages and bonuses.

Yesterday's profits warning is the latest setback for Exco, which only returned to the stock market in July 1994.

## Improved margins boost Storehouse

By David Blackwell

A strong performance from Mothercare and improved margins helped Storehouse lift interim profits by more than 40 per cent in spite of a slight fall in sales.

The group, which also owns the BHS chain, boosted pre-tax profits from £24.2m to £24.5m (£54.5m) for the 25 weeks to October 14. The latest figures include an exceptional gain of £1.2m from the disposal in June of the One-Up discount chain.

Sales were flat at £519.1m (£518.8m), partly reflecting the effect of the disposal. However, like-for-like sales at BHS were 3 per cent down.

"This has not been an easy half," said Mr Keith Edelman, chief executive. "The market has been unrelentingly competitive and the less said about the weather the better."

While sales in October had been slow as the hot weather lingered, they had picked up this month. While not counting on any rise in consumer expenditure, given a reasonable Christmas Mr Edelman was "cautiously optimistic" about the second half.

Operating profits at Mothercare more than doubled to £9.3m (£4.2m) on sales ahead from £158m to £164.9m. Lower mark-downs after a clearance of clothing stocks in the previous half resulted in an improvement of 3.1 percentage points in gross margins. Gross margins at BHS rose by 1.5 percentage points, reflecting better stock management and changes to the loyalty discount card scheme, which also affected sales.

## Granada's strategy 'hugely flawed' and offer 'inadequate' Forte denies further approaches

By Scheherazade Daneshkhu and Raymond Snoddy

Forte, the UK's largest hotels company, yesterday attacked Granada Group's £2.5bn hostile bid as "hugely inadequate". It said the TV and leisure company's strategy for Forte was "hugely flawed".

Sir Rocco Forte, chairman and chief executive, said that Granada's bid was "two years too late".

He was scathing about the experience of Mr Gerry Robinson, chairman designate of Granada, in marketing Granada products.

Lord Forte, 87, Sir Rocco's father and the man who founded the empire, is taking an active interest but not an active role in Forte's defence strategy.

"It would be a fool who didn't ask his advice and if we didn't have it we'd have to pay a fortune for it," said Mr Richard Power, director of commu-

nications at Forte. Lord Forte saw off the 1971 hostile bid from Allied Breweries which divided the board of what was then Trusthouse Forte.

Mr Power said Mr Robinson "had all the hallmarks of someone who doesn't understand the hotel business and how marketing and branding work". Forte would continue with its strategy of turning the company from a conglomerate, as it was two years ago, into one focused on hotels and catering, he said. The company has strongly advised its shareholders to reject the offer.

While a possible defence strategy for Forte was to look for a "white knight" in the form of a bid from a friendly company, there was none on the horizon yesterday.

Forte said it had not been approached by Suntory, the Japanese brewer, and had received no offers from any company other than the "unso-



Sir Rocco Forte: continuing Forte's focussing strategy

olicited and unwelcome" hostile bid from Granada.

Several analysts said yesterday that Forte had a tough fight on its hands. The bid

includes a full cash offer of £21.67p per Forte share.

Granada has said that it would dispose of Forte's 68 per cent stake in the Savoy group, the remaining Forte stake in Alpha Airports and the motorway service stations.

It would also be open to offers for some of Forte's trophy hotels.

Mr Alex Kyriakidis, partner in charge of leisure worldwide at Arthur Andersen, the accountant and business consultant, doubted that Granada would find buyers easily for the large number of trophy hotels owned by Forte.

Most observers agree Granada would have to increase its offer if it wanted to clinch the deal. Mr Russell Kett, director at HVS International, a London-based hotel and valuation consultant, said that the value of Forte's London hotels would have increased by at least 25 per cent since they were last valued in January 1994.

## Fall in interest charge helps TLG

By Motoko Rich

In its first full half as a public company, TLG, the industrial lighting equipment manufacturer floated in November last year, reported pre-tax profits more than doubled from £4.4m to £11.4m (£18m).

The profits, achieved on turnover up 11 per cent to £186.3m (£167.9m), were helped by a significantly reduced interest charge, from £5.2m to £800,000, following the flotation.

Mr Hamish Bryce, chairman, said the group had also improved its cash flow generation and that it was un-gear-

ed. Sales rose on the back of market growth in European lighting although the market in Germany had contracted by 5.9 per cent. However, Mr Bryce said TLG's sales in Germany only fell 2.3 per cent, indicating a rise in market share.

Sales in the UK rose 7 per cent for operating profits up 12 per cent while the rest of Europe saw sales rising 13 per cent with operating profits up 34 per cent.

In Asia, operating profits rose 38 per cent on sales up 16 per cent.

Earnings per share expanded to 4p (2.6p).

## NW Water justifies dividend increase

By Peggy Hollinger

North West Water yesterday became the first of the 10 water and sewerage companies to justify its dividend increase to the industry regulator as it announced an 11 per cent rise in the first-half payment and better-than-expected interim profits.

Mr Brian Staples, chief executive, said the company had taken the view that the best way to unlock shareholder value was to endorse the regulator's stance, "not to fight against him".

North West said its dividend increase had been based on normal business growth and out-performing of regulatory targets.

## Littlewoods warns

Littlewoods, the UK's biggest family-owned company, is urging shareholders to vote against co-operating with a potential external takeover bid, and offering to buy out any who wish to sell their holding in a share buyback worth up to £250m (£395m), writes Neil Buckley.

A 16-page circular, received by the 32 shareholders yesterday, also includes a warning that current-year profits will be "some way below last year's".

## Microsoft stake

Microsoft has placed all of its 17.9 per cent stake in Dorling Kindersley, the UK reference book and CD-Rom publisher, with British and continental European investors. The US software group raised £51m.

## Peptide float

Peptide Therapeutics, the biopharmaceutical company, yesterday priced its shares at 200p, giving the group a flotation value of about £88m, at the high end of expectations.

Mr John Brown, finance director, said the placing had been "well covered".

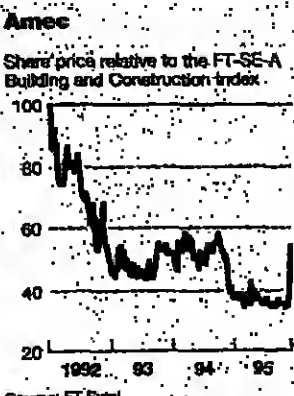
## LEX COMMENT

## Amec stake

The purchase by Norway's Kvaerner of 10 per cent of Amec, the UK construction company, yesterday smells like the start of a hostile bid. This is a rare event in the UK construction industry, not least because there is little reason to buy into this struggling, low-margin business. A Kvaerner bid would have some logic, though. Amec's overseas operations would help Kvaerner's push into new markets, while Amec's expertise in project management would be useful within Kvaerner's oil rig business. But unless the Norwegian company plans to sell or shrink the low-margin UK contracting business, it is hard to see value in a deal.

Amec's management will have to struggle to convince shareholders that the company is worth more than the £1 a share paid by Kvaerner in the market so far; investors have watched the stock under-perform the sector as well as the market in the last few years.

Hints of a deal with McAlpine suggest there is an alternative route. But neither of these UK companies are exactly the jewels in the crown of the construction industry. To reject an offer of £1 a share, or 45 times 1996 earnings, investors would have to be confident that earnings growth would improve rapidly. This cannot happen without some removal of the industry's chronic overcapacity. Wimpey's asset swap with Tarmac may point the way, but it will not reduce capacity. Rationalisation is much talked about, but investors should remain sceptical until it is actually happening.



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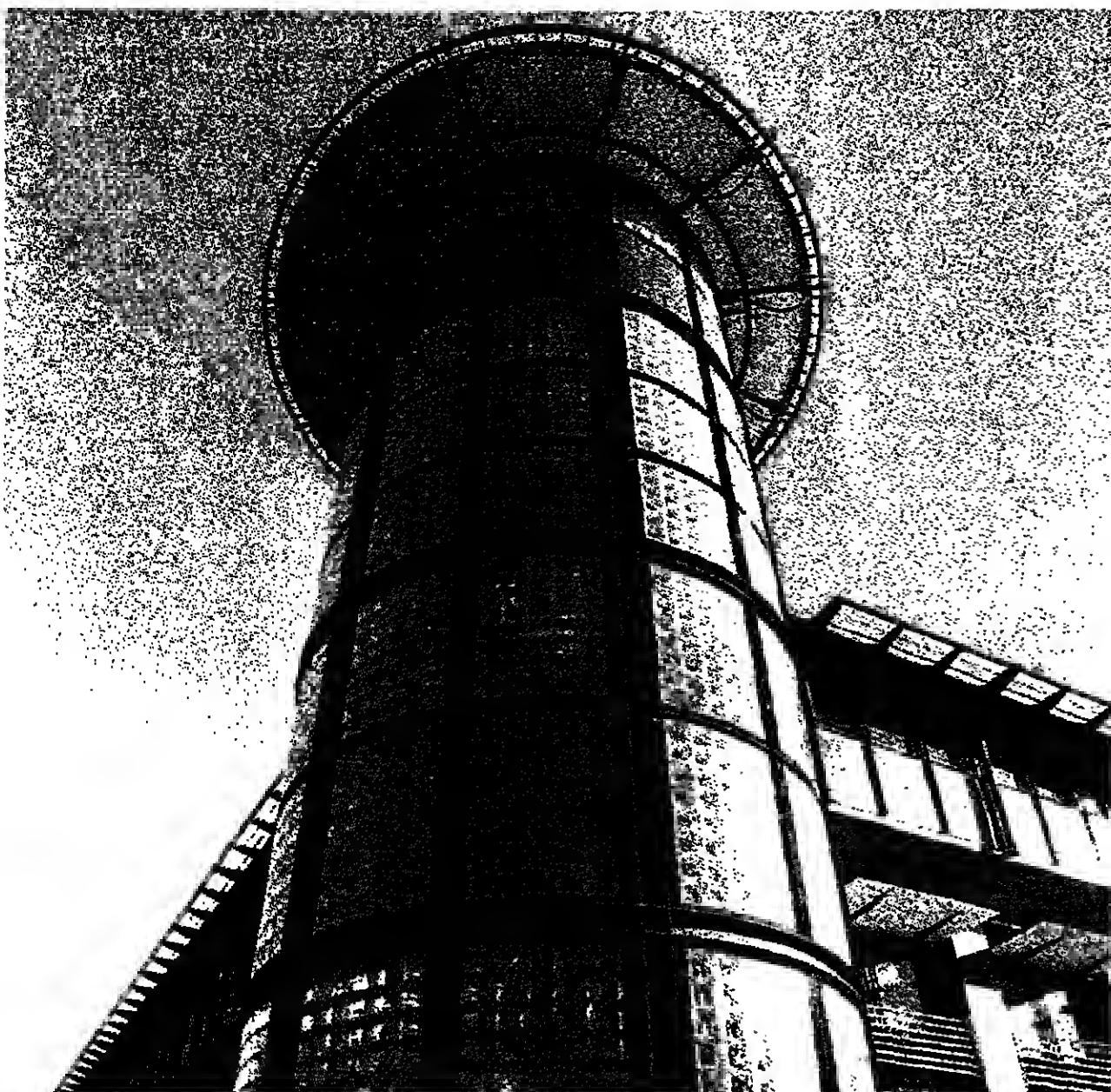
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## FT REPORT

## EAST MIDLANDS



Nottingham: the Inland Revenue is taking up space in new and distinctive buildings

Office: by Paul Cheeseright

## Locals take the lead

The institutions have proved willing to back regional developers' schemes

If there is a new office development in the East Midlands, the chances are that the property company behind it will come from within the region.

The overweening confidence which led London developers in the late 1980s to spread their activities over the regions, often with damaging results to themselves, has passed. Speculative developments are rare.

"To a large extent the competition you come across on most of the sites are regional developers," says Luke Pickering, director of the Lincoln-based Simons Estates. His company is developing the Island site in Nottingham. It is, he thinks, probably the biggest office development in Nottingham, at 360,000 sq ft, since the second world war.

But the reluctance of London developers to become involved in the market does not apply to the financial institutions. "There's been an increase in institutional demand. Offices have been fashionable in the last couple of years. It's perceived that Nottingham rentals will grow. Nottingham particularly has been picked out as the East Midlands town with the most growth potential," Mr Pickering says.

The Simons development has behind it the Gulliver Development Property Unit Trust. The other large office development

in Nottingham, the transformation of the old General Hospital into 265,000 sq ft of office by Comfort House, has behind it Royal Insurance.

Investors looking for office properties in the East Midlands would tend to look towards Nottingham. The city is the largest element of the fragmented regional office market based also on Derby, Leicester, Lincoln and Northampton. For all that, Nottingham is a small market. The total office stock of the city is about 5.5m sq ft, roughly the same as that of Cardiff or Newcastle, but smaller than that of Bristol and about 33 per cent of the size of the Birmingham market. Compared with London it is a minnow.

As an investment, offices in the region have performed erratically. In the heyday of the 1980s property market, total returns reached at one stage 35.5 per cent a year, according to Investment Property Databank. But this decade the figures have been less heady: 5.5 per cent in 1991, 3.6 per cent in 1992, 18.3 per cent in 1993 and 13.2 per cent in 1994.

Part of the expectation of rental increases comes from the fact that office development across the region has been at a low ebb. Jones Lang Wootton, chartered surveyors, noted that with minor exceptions there had been no recent new developments in either Derby or Leicester. Those in Loughborough have tended to be associated with the university. In Northampton, interest has been in offices out of the centre rather than in it. In Lincoln, there is no speculative development.

The recovery in export-led manufacturing has not spilled into other sectors of the economy, engendering the willingness to undertake office expansion. But that general point does not mean that there has

been no demand for new office space.

The Nottingham market, reports Nick Ebbs of Innes England, chartered surveyors, in the last 18 months has seen commitments made on 270,000 sq ft of new or modern office space. "The general churn" on the market, as he puts it, was between 50,000 and 75,000 sq ft.

But there have been exceptional times. "It is an extremely lumpy market, with years of feast and famine, very much driven by its own peculiarities," says Mr Ebbs. These peculiarities concern both the arrival of the Inland Revenue taking up its space in new and

## Car parking is easier in off-centre sites

distinctive buildings, and the fact that 25-year leases taken by government departments in the early 1970s have been running to their expiry.

The departments have been taking the opportunity to move into better accommodation - the Benefits Agency and the Health and Safety Executive into the redeveloped Pearson's department store building for example. This has led to a glut on the market of 1960s and 1970s buildings, a characteristic also of Derby.

Mr Ebbs calculated that 13 buildings, providing about 400,000 sq ft of space will be arriving on the Nottingham market over the next two years. This factor, combined with the likelihood that government demands for space will fade after the present round of reorganisation, could suggest that the market will be fragile.

But that is not necessarily the case for the highest grade accommodation. There is likely

to be a continuing undercurrent of demand from the private sector for more efficient space than that provided by 1960s and 1970s buildings with their confined spaces and frequent lack of flexibility to accommodate the latest communications demands.

Nottingham will have its share of that demand. Indeed, it has already been manifest both in the city and other regional centres.

For example, CCN, the credit scrutiny group, is taking in three phases more than 90,000 sq ft at Riverside Business Park, a development by Wilson Bowden, the property company, and PowerGen, the utility. Riverside is outside the Nottingham city centre.

Similarly Anglian Water has taken 60,000 sq ft at Simons's Witham Park project, just off the Lincoln centre. Texas Instruments, Barclays Bank and Barclaycard have taken or are taking space at the 53 acres Northampton Business Park, now in the receiver's hands.

It is in such off-centre sites that car parking is easier; that there can be a feeling of freedom from city centre congestion. Mr Pickering noted that at the Island site, on the edge of the centre, the car parking ratio is twice as generous as that of the centre. But the offices are not built to the same specifications as those in the City of London. "Most demand is for non-airconditioned accommodation, but it is nowadays for minimum running costs and minimum maintenance," says Mr Pickering.

But there is also the basic commercial fact that the rents are not high enough to justify offices built with any extravagance. The top rents in the region are in Nottingham, but have not exceeded £12.50 a square foot for new or modern space. In Lincoln, the highest rents are around £9.00. Elsewhere they are around £10.

## Retail

## National companies primed for activity

As in the 1980s, this sector may be showing more life than the sluggish domestic economy

Land Securities, the UK's largest property development and investment group, is planning a 200,000 square foot retail scheme in Chesterfield, Derbyshire, writes Paul Cheeseright. MEPC, another of the larger UK property groups, is planning an overhaul of its recently purchased Eagle Centre in Derby.

These two examples illustrate the readiness of the big national companies to undertake retail developments in the East Midlands. This is a readiness which is not extended to the offices sector.

As Luke Pickering, director of Simons Estates, the Lincoln-based company, notes, there are nationally "only 20 or 30 centres where you'd consider offices, but retail you can do down to the smallest town."

The East Midlands, indeed, may be seeing a repetition of the sequence of events in the property sector during the first part of the 1980s. Then the retail property sector was active in spite of the sluggish domestic economy. The relative strength of the retail property market proved to be a precursor of the sharp rise in all property values which took place in the second half of the 1980s.

At the high point of the retail property market for institutional investors in 1989, the total annual return on retail investment in the East Midlands was 29.2 per cent, according to the Investment Property Databank. Since then, in all the main retail centres of the region - Derby, Leicester, Lincoln, Northampton and Nottingham, total returns first declined sharply and then, since 1991-92, started to recover.

For the region as a whole, the average total return, after being a negative 7.9 per cent in 1990, touched 13.3 per cent in 1993 before slipping to 12.2 per cent in 1994, the Investment Property Databank reported.

Over the last year, said Healey & Baker, chartered surveyors, the compound rental growth for prime retail property has been 14.29 per cent in Derby and Leicester, 4.17 per cent in Nottingham, 3.13 per cent in Lincoln, but nil in Northampton. The average for the East Midlands has been 2.61 per cent against 2.00 per cent for the UK.

Looked at another way, rental growth has not uniformly returned to the levels

seen at the peak of the market. Using an index based on 100 in June 1985, Healey & Baker calculated an index score for June 1995 of 263 for Nottingham, the largest centre of the region, and 267 for Derby; those scores are the same as five years before.

While the Leicester score for this year at 235 was slightly higher than the 226 recorded in June 1990, Lincoln had slipped to 168 from 204 and Northampton had fallen to 232 from 246. The overall index score for the East Midlands was 214 in June 1995, compared with 225 five years ago.

The uneven performance notwithstanding, there is an air of expansion in the region. In Nottingham, for example, the Victoria Centre is being expanded by 125,000 sq ft to accommodate the House of Fraser. Marks & Spencer is extending its store from 60,000 to 106,000 sq ft.

## Wilson Bowden recently completed the 170,000 sq ft Riverside Park in Northampton

In Lincoln, Simons and Barclays de Zoete Wedd Property Investment Management are ready to go ahead with the 195,000 sq ft St Marks East development on the edge of the city centre. If it goes ahead it will be probably the largest retail development in the city since the second world war and will have the effect of enlarging the city's prime shopping area.

In Northampton, Wilson Bowden recently completed the 170,000 sq ft Riverside Park, outside the city centre and Helical Retail is to go ahead with a smaller in-town scheme on Westgate. In Derby, Cordwell Land recently completed a scheme of 16 units.

This activity in the market, however, has a different quality from the end of the 1980s, when, as Brian Curtis of Jones Lang Wootton, chartered surveyors, points out, the retailers were chasing growth in demand.

"Now the major non-food retailers are trying to protect their market share and beat off competitors. The market is not growing, but there is activity in the marketplace with the retailers vying with each other. There is no significant growth

in the sector," he says. This provides one element of uncertainty for the retail property market and tends to throw out some of the calculations of the planners.

In Nottingham, for example, the county structure plan, which sets out land use patterns, has forecast a need for an extra 850,000 sq ft of retail space to cope with the needs of both population growth and a steady rise in consumer spending. But neither of these factors has yet been in evidence, so that the perceived need of extra retail space in the years up to 2001 looks exaggerated, given that the existing stock of retail space is already about 1.75m sq ft.

At a civic level, the desire for new retail space is perfectly understandable. There is a fear that Nottingham's position as the main regional shopping area could lose ground to either Leicester or to the Meadowhall shopping centre near Sheffield. If such expansion does not take place, But, as Nick Ebbs of Innes England, chartered surveyors, notes, "There are not a lot of opportunities for large scale development." Sites in the city are not easy to find.

Planning for the future is made more difficult in another respect. Current government policy, articulated by John Gummer, the environment secretary, and enshrined in planning policy guidance, has come down firmly against development on the edge of, or out of, town centres where such development will weaken the viability of the centre.

This is more of a problem in some centres than in others. Nottingham City Council has always set its face against such development anyway. The problem probably reaches its most acute form in Leicester.

There a planned extension to out-of-town Fosse Park, adjacent to the M1 motorway, has a direct competitive impact on the traditional city shopping area, strengthened by the construction of The Shires centre and where there are hopes of hastening the regeneration of the Bede Island district by the insertion of a strong retail element.

Already the environment select committee of the House of Commons has charged that the diversion of trade from the city centre has not been fully researched. The Leicester experience, in relation to government policy, suggests that, as Simon Henshall of Connell Wilson, chartered surveyors, says, "any site with neither an existing planning consent and which is not zoned will find it increasingly difficult to get planning permission."

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BUSINESS PROPERTY

Industry: by Paul Chesswright

# Patience gets its rewards

Demand for space in the region is growing but distributed unevenly

The patient institutional investor with a taste for property who put money into the East Midlands Industrial sector in 1980 has cause for a little self-congratulation. The fund would not be quite as well off as it would have been in northern England or Wales, but, in industrial property terms, it would be better off than in any other region.

Analysis of industrial property capital growth and rental values by Investment Property Databank shows that total returns on East Midlands industrial property were 13.2 per cent a year between 1980 and 1994, the third highest regional performance.

Since 1990, this performance has been carried by erratic movements in capital value. Rental values have been at best flat and in some years have declined. But the performance of individual properties will have shown wide variations, reflecting the nature of the region itself. While Northamptonshire moves within the orbit of the Home Counties, the economies of Derbyshire, Leicestershire and Nottinghamshire are shifting away from traditional industry and absorbing an expansive distribution sector, while Lincolnshire, notwithstanding Lincoln's significance as an engineering centre, is an agricultural county.

"On the industrial-warehousing side, the majority of activity relates to the M1 corridor," notes Simon Jenkins at Jones, Lang, Wootton, chartered surveyors. But the nature of that activity changes.

Broadly, the extensive network of distribution properties starts at Northampton and runs north through Leicestershire, its location dependent both on drive times to the main UK populated areas to the south and north. In this central part of the country, space is more important than access to the labour force.

But further north, along the M1, the emphasis changes so that from Nottingham-Derby

onwards, industrial property activity is more closely related to manufacturing. Indeed, the necessity to generate new jobs leads the public authorities to encourage that.

There was a marked expansion of distribution activity during the 1980s, much of it prompted by the demands of the larger national retail chains. Magna Park at Lutterworth, in the triangle bounded by the M1, the M5 and M69 is the largest distribution centre in Europe with 7.7m sq ft of space. Where there is a motorway junction, there is a distribution centre nearby: Meridian

distribution parks by seeking to draw in manufacturing as well as freight-based activity. Elsewhere, says Mike Roper, DIRFT director, "distribution centres have not turned into manufacturing. They're not near enough the population centres for labour."

North of Leicester that changes and the importance of manufacturing grows. So too does the importance of the public sector. While the Commission for the New Towns is active in the Northampton land market - it has 110 acres for sale at Brackmills, for example - further north, devel-

site, once used by British Steel, close to the M1, between Nottingham and Derby.

In Derby itself, a portion of City Challenge funds - £37.5m over five years for the regeneration of a specific district - has been used since 1983 to prepare for development 180 acres of land used for coal gas production and railway equipment manufacture. This is Pride Park, the site of Derby's bid for the UK's Millennium Exhibition, but also a potential manufacturing centre.

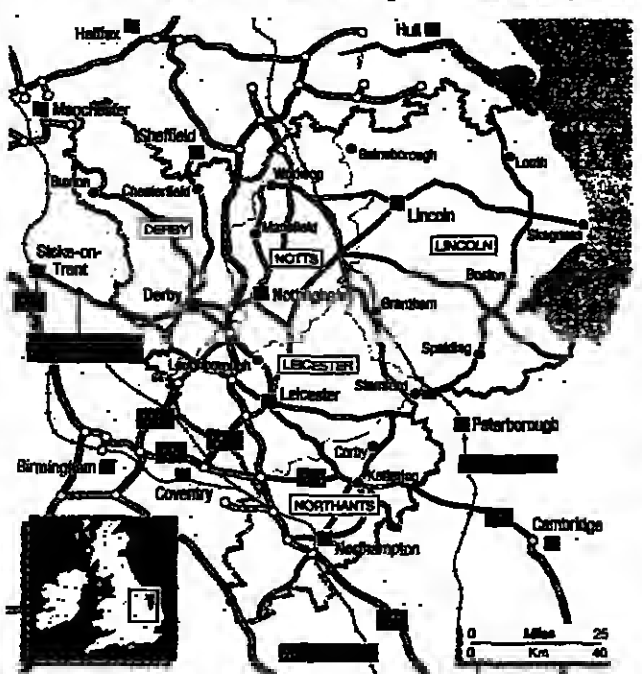
Behind the development of the large sites lurks the hope that a large inward investor might be attracted to the area. "If Toyota came along now, where could they go?" asks Brian Curtis of Jones Lang Wootton. Toyota has constructed a new car plant at Burnaston, near Derby.

This points up one of the difficulties of the regional industrial property market. There is abundant property of little interest to footloose companies. But "Derby, Nottingham and Leicester - if you came to me or my colleagues, looking for a building of 10-30,000 square feet - very, very standard, to rent or purchase, you'd be appalled at the paucity of the buildings available," says Russell Rigby of Innes England, chartered surveyors.

But demand for space has been increasing. In Northampton, Connell Wilson calculated that this year it had let nearly 1m sq ft of industrial space, 30 per cent more than in 1994, but there is still two years of supply available at current rates of absorption by the market. By contrast, in the different economic conditions of Derby, this year has not seen so many deals as 1994.

The overhang of existing space has meant that industrial rents have been static. Top rents in Northampton are £350-400 per sq ft and about £400 in Nottingham. In Leicester, the highest rent recorded is £500.

But agents noted that these figures are illusory. There are always deals to be done - rent-free periods, capital inducements to take space and so on. Further, there is little inclination among prospective tenants, except for the largest, to sign leases of 25 years. Flexibility is the keynote.



close to Leicester, interlink near Coalville, Brackmills at Northampton.

More will come. One of the biggest will be the £200m Daventry International Rail Freight Terminal (DIRFT), being developed by Abbot Estates on 350 acres. The rail terminal will be operational by summer 1997. Further south, near Northampton, Higgs & Hill, funded by Norwich Union, are planning the Swan Valley industrial and business park on 210 acres. Pillar Property Investments and Parillon Properties are developing AIMLink at Thrapston in Northamptonshire. DIRFT will be exceptional among East Midlands

operators have been looking for government funding for help with the cleansing and preparation of land made redundant as industrial demands have changed. Thus English Partnerships, the state regeneration agency, is spending £25m in a joint venture with Kodak at Sherwood Park, 165 acres near Annesley, north Nottinghamshire. This is a planned Enterprise Zone, designed to offset the economic effects of coalfield closures, offering exemption from rates and 100 per cent corporation tax allowances for capital expenditure. It is also said to be examining proposals for investment in land reclamation on a bigger

## THE PROPERTY MARKET

# Playing for high stakes

Simon London looks at British Land's bold expansion strategy

British Land just keeps on growing. This week's £220m equity issue was its second of the year. Following the acquisition of Broadgate Properties, holding company for much of the Broadgate and Ludgate office developments in the City of London, its property portfolio will have doubled in two years.

Just as remarkably, Mr John Rithlat, British Land's chairman, has steered the company back from the brink of collapse in the early 1970s. It now stands on the fringe of the FTSE 100 index and has overhauled MEPC as the UK's second largest property company. British Land has achieved its recent expansion by showing a rare combination of property dealing skills and accurate reading of the property cycle.

The acquisition of Broadgate is widely regarded as another tactical triumph. Mr Rithlat started his campaign two years ago, when he unexpectedly acquired a minority stake in Stanhope, one of the property developers which masterminded the Broadgate and Ludgate schemes.

This stake proved to be the bargaining chip which allowed British Land to complete an agreed takeover of Stanhope earlier this year and in the process gain a half share in Broadgate Properties.

It is now buying the second half of Broadgate from the receiver to Rosehaugh, Stanhope's former development partner, for about £125m. Both sides in the long - and, at times, hostile - negotiations

declare themselves satisfied with the outcome.

British Land is paying a small discount to the net asset value of Broadgate Properties. Rosehaugh's receiver, Mr Roger Oldfield, of KPMG Peat Marwick, the accountancy firm, notes that the price is significantly above the level on offer last year.

Whatever the fine details, though, British Land now has full control over nearly 2m sq ft of prime City of London office space. The two developments - Broadgate, to the north of the City, and Ludgate, to the east - are almost fully let. Broadgate Properties' £800m of debt, on which it is paying punitive rates of interest, can be refinanced on more attractive terms.

But has British Land read the property cycle correctly this time? The impact of the Broadgate acquisition on British Land is threefold. First, earnings per share are likely to be lower than previously anticipated.

Second, the company's balance sheet gearing will increase to about 125 per cent following the consolidation of

This represents a big bet that rents for prime City properties will rise faster than in other sectors of the UK property market.

Here opinion is divided. Top quality office space is in short supply. Market evidence suggests that tenants are prepared to pay at least £40 per sq ft for big new buildings in the heart of the City. Only two years ago top City rents were generally regarded as standing at about £30 per sq ft.

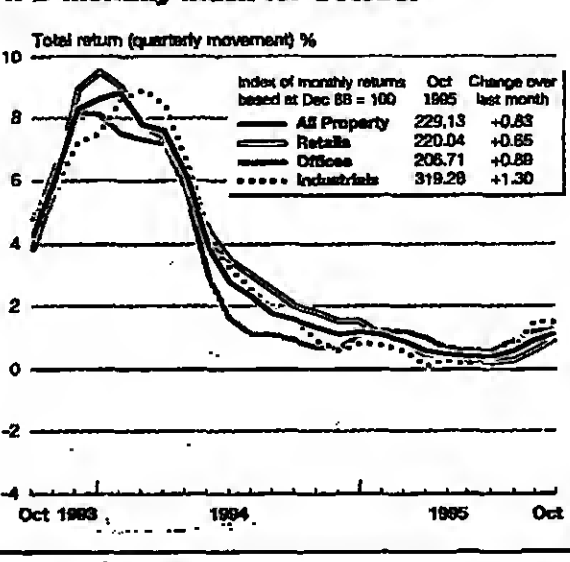
Thus, the argument runs, City rents have increased by perhaps 30 per cent in the last two years and are on a strongly rising trend. Against this, the Broadgate buildings are no longer brand new. One impact is that tenants pay much higher business rates than they would in comparable newly-built space.

Moreover, the threat of more office space being built at Canary Wharf, the large office development in docklands which is attracting financial sector tenants, could put a cap on City rents.

It will be two or more years before the answer is clear. Rising City rents combined with a general increase in UK property values - perhaps stimulated by falling gilt yields - would make British Land the deserved darling of the UK property sector.

Static rents and falling values would be bad news for investors in any property company. British Land shareholders would be uncomfortable indeed.

## IPD monthly index for October



## Rentals ahead

Property values fell in October for the 15th consecutive month, registering a decline of 0.3 per cent, according to the IPD monthly index. On current trends, the main annual index - which contains a higher proportion of central London offices than the smaller monthly database - is likely to show a total return for 1995 of just over 4 per cent.

Although property values are still falling, rental values improved slightly in October after small declines in each of the previous two months. The all property rate of total return in October was 0.4 per cent.

Over the 12 months to October, the all property total return is 3.3 per cent, with a return of 2.6 per cent for the calendar year to date. Capital values fell by 4.6 per cent during this period, compared with a 12.6 per cent increase in the year to October 1994.

Office and industrial properties both achieved a 0.4 per cent total return in October, with retail properties returning 0.3 per cent. Year-on-year, offices are the best performing sector with a total return of 3.9 per cent, followed by retail properties at 3 per cent and industrial at 2.9 per cent.

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# MERSEYSIDE

## New sound from a chorus in harmony

Deciding how to spend £638m from the European Union has concentrated minds in the region, reports Ian Hamilton Fazey

There is a new Mersey sound. It is not so much that emanating from the new Liverpool Institute for the Performing Arts and its benefactor Mr Paul McCartney, but of people talking rather than squabbling, of harmony rather than discord.

There are still disparate groups and there are still disagreements, but a common will to work towards common goals seems to be emerging. Potential inward investors - who previously would not look at Merseyside - are beginning to do more than merely take notice. This year Siemens came close to picking Merseyside over Tyneside for its new microchip plant.

What has concentrated minds is the planned injection of £638m into Merseyside over six years by the European Union. The programme is in its second year and the impact is beginning to show.

The money is from EU's regional development and social funds under its "Objective One" programme. To qualify, gross domestic product a head of the country or region concerned must be, or must fall, below 75 per cent of the EU average. Merseyside's fell enough to trigger its place in the programme two years ago.

But there are strings; the money has to be matched by the UK public sector, and spending plans must attract private sector and community support and have a realistic chance of producing sustainable growth.

Because discord will not deliver it, people are working together as never before. There

is not yet local unanimity, but "even two years ago there was little sign of the sort of consensus that we are now seeing," says Mr Tim Johnston, a partner in accountants, KPMG.

He and Mr Peter Fell, director of European affairs at Merseyside training and enterprise council, are at present briefing groups of Merseyside business and political leaders about their Merseyside Economic Assessment - a study to be published soon of what offers the best chance of sustainable growth.

The briefings seem to be impressing most critics of the Objective One programme so far. They have legitimately queried whether too much is being spent on pointless training for phantom jobs - or for low-value work such as hair-dressing.

"The problem is we need the brown and dirty and menial jobs, to help reduce unemployment, but the more value we can add, the more wealth we can create," says Mr Graham Thelwall Jones, chairman of Liverpool chamber of commerce and industry.

Mr Johnston and Mr Fell want to see a better balance between jobs for the sake of them and jobs that will generate a wider wealth. The idea is to try to tilt the internal economic balance so that more Merseysiders are selling high-value goods and services to markets outside the area, rather than selling low-value services to each other.

Import substitution and exports from the region are recurrent themes of the analysis. In effect, Merseyside is trying to reduce its local balance of payments problem. It has been a net importer of too much by way of goods, services, government aid and handouts. Its exports have all too often been jobs and people.

As Mr Harry Rimmer, leader of Liverpool city council, puts it: "This is an area which has lost 250,000 people and 100,000

jobs in the past 30 years. We have been managing decline and poverty. We have got to turn this round."

Mr Ian Lohley, Liverpool director of 3i, the investment capital provider, believes a turn-round is already happening. "I arrived two years ago. The difference now is that people are not just talking about partnership, they are doing something about it."

"Almost as great as the Objective One benefit is that everyone is pulling in the same direction. The political temperature is lower. People are talking about how to help small businesses rather than having political debates about who is to blame for decline," Mr Lohley adds.

He believes the new government office for Merseyside deserves much of the credit.

Like its counterparts in other regions, the office co-ordinates the work of all government departments in the region. That in Merseyside is run by Mr John Stoker and his deputy, Mrs Pat Jackson. "They came in for a lot of early criticism but they have pulled things together," Mr Lohley says.

Indeed, leadership has always been critical to economic regeneration. The lessons from places which have turned themselves round in the US and Europe have been well documented: first, there have to be leaders; they then have to sink their differences and work together - while developing a vision of the community that is wider than their own role in it.

Mr Stoker's central role is as chairman of the committee monitoring how the EU money is spent. Mrs Jackson is his prime enforcer. She will not let funds go unless recipients commit themselves to measurable, lasting outputs such as jobs and added value.

Other leaders who have impressed Mr Lohley include Mr Christopher Gibaud, chief



The Mersey waterfront, looking toward the Royal Liver Building. The crucial change in the region has been the political - and industrial - climate

Photographs for this survey by Mike Aron

executive of the Mersey Partnership and a successful economic developer with a good record at Peterborough and Swindon. Typically for Merseyside then, his appointment two years ago was criticised because he was an outsider. There is no criticism now.

Professor Philip Love, who moved from Scotland to become vice-chancellor of Liverpool University, is another outsider making an impact - this time as chairman of the Mersey Partnership.

In professional services, two respected northern heavyweights - Mr Mike Davis and Mr James Dow - have arrived this year from Manchester at the accountancy firms of Ernst & Young and KPMG respectively. Each has a good record in corporate finance, but they already face strong competition in Liverpool from Mr Amin Amiri of Grant Thornton.

Other leaders marching their

troops in the same direction include Mr Peter Bounds, chief executive of Liverpool city council; Mr David Henshaw, his opposite number at Knowsley borough council; Professor Peter Toynne, vice-chancellor of Liverpool John Moores University; and Sir Desmond Pitcher, chairman of both North West Water and the Merseyside Development Corporation, the government's agency for regenerating the waterfront.

In the private sector, Merseyside's largest employer is Littlewoods, the football pools and retailing giant. For all the argument about its future as a privately owned company, it is a potent force in the regional economy, providing nearly 7,000 local jobs.

Other big companies include Royal Insurance in Liverpool, Ford at Speke, Unilever in the Wirral, Delco Electronics and Otis at Kirkby and - increasingly important because of its impact as an economic multi-

plier - Mersey Docks and Harbour Company at Bootle. BHP, which has struck oil and gas in the shallow waters of Liverpool Bay, is set to join them when production starts next month.

Merseyside's weakness, however, has always been its resemblance to had concrete. Just as good concrete needs a mix of big, medium-sized and small stones in the aggregate to fill the holes and interstices before the cement is poured into it, so Merseyside has had too few small companies to balance its giant ones.

But there are encouraging signs. In one 11-day spell in September, 3i did three management buy-outs and three management buy-ins. Nine different firms of Liverpool professionals were involved, providing services which might easily have been bought in from Manchester. It should also be remembered that Alsop Wilkinson, the nationally known legal firm, began and

continues in Liverpool. "More people are making the entrepreneurial leap," Mr Lohley says, who now watches over 115 investments in local companies.

The crucial change, however, is in the political climate. Merseyside was blighted by the Militant Tendency, the Marxist grouping which infiltrated the Labour party and took control of Liverpool city council in 1983 to challenge the government with a series of illegal deficit budgets as it tried to municipalise substantial parts of the local economy.

Its leaders were expelled from the party and 47 councillors disqualified more than seven years ago, but it was only this year that Mr Rimmer, who faced down a breakaway hard left in order to restore moderation, won an absolute majority for the official Labour party on the council. The Militants made consensus impossible for about 10

years because most private sector leaders kept their heads down. Two local authorities - St Helens and Wirral - all but went their own way. Their inward investment initiatives - St Helens and the Wirral Investment Network - still do their own thing, but increasingly Merseyside is beginning to function as a unit again.

A measure of how far it has come is the near-miss in the competition to win Siemens. Mr Johnston says it must be a lesson. "Merseyside still has some way to go. It still takes 15 to 20 people to make a decision, versus a handful of people in Ireland. It is crucial that the five local authorities stop competing for every project."

Mr Rimmer does not hide his disappointment over Siemens, but can at least take comfort from having seen more serious inward investment inquiries in 1995 than in all the years together since 1988.

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## II MERSEYSIDE

Investment by Stewart Dalby

## Private sector joins in

After 15 years, government spending in the area seems to be paying off

Nearly 15 years of concentrated government investment in Merseyside seems at last to be paying off. Almost suddenly, after years of lagging behind, private sector investment in crucial waterfront areas has exceeded the monies paid by government to its main local regeneration agency, the Merseyside Development Corporation.

The corporation was set up in 1981, together with a similar body for London Docklands. Originally due to be wound up in 1991, its term has been extended to 1996 and the area it covers has been increased from an original 500 acres to 3,000 acres of primarily disused docklands on both sides of the River Mersey, together with the faded seaside town of New Brighton on the tip of the Wirral peninsula.

But while London Docklands appeared to lever billions in private sector investment during the 1980s, the MDC did not have an easy time. It was embroiled in rows with a then hostile Liverpool city council. It also fell out with Professor Patrick Minford, Liverpool University's eminent economist. He resigned from the MDC's board because it would not approve a power station project in Birkenhead, preferring to save a prime site for mixed-use property development.

This year the MDC got a wigging from a parliamentary select committee for losing almost £1m on the 1992 tall ships regatta and an associated opera concert which seemed to bring little discernible benefit to the area. It has also had an unseemly squabble with the Mersey Docks and Harbour Company about a floating stage and terminal for Irish Sea roll-on, roll-off freight - near where Prof Minford would have allowed the power station.

All this has come after many years when the MDC seemed unable to draw in substantial

private sector investment. By 1990, almost 10 years into its life, the MDC had spent £190m of public money but had generated only £43.5m in private sector investment.

At last, however, everything seems to be coming right. For by the end of the first quarter this year total inward investment from the private sector in the MDC's areas reached £394m - against a cumulative government outlay of £300m. Nearly 15,000 jobs have been created and 2,671 homes built or converted from old warehouses.

Mr Chris Farrow, MDC chief executive, says: "Over 50 per

cent of the investment has come in the past three years. The problem was the acute level of dereliction. Clearing it up is costly and time-consuming. You cannot attract investors until you have done it. It took £45m alone and the best part of 10 years of effort to reclaim the Albert Dock."



Chris Farrow, chief executive of Merseyside Development Corporation

cent of the investment has come in the past three years. The problem was the acute level of dereliction. Clearing it up is costly and time-consuming. You cannot attract investors until you have done it. It took £45m alone and the best part of 10 years of effort to reclaim the Albert Dock."

The beautiful, listed Albert Dock is the centrepiece of the waterfront revival. With its museums, walkways, shops and restaurants it attracts 6m visitors a year.

Mr Farrow now believes the MDC is on course to realise its lifetime targets of £280m in private sector investment and 25,000 new jobs.

Now that investment is coming in, there is less criticism than in the 1980s from local authorities which thought then they could do better with the money. They are all now well represented on the MDC's board and in any event have been somewhat mollified by getting substantial government monies themselves in recent years.

Toxteth, where riots famously broke out in 1981.

All three are run by boards which include the local authorities as well as the private sector and community representatives. They are concerned with economic regeneration and job creation and the intention is that the £7.5m each can spend every year should lever out a multiple in private sector investment.

They are also closely focused on physical renewal, low cost housing, environmental improvements and social and community schemes.

In the Wirral City Lands, manufacturing industry was in decline, but 3,200 jobs have been created and preserved, largely through assisting and grant-aiding small and medium-sized businesses.

Mr Peter Coffey, director of the Wirral city challenge says: "One of our proudest achievements is the setting up of three neighbourhood colleges. We simply found suitable premises and staffed them, then watched the numbers grow largely by

word of mouth. There are now 1,600 on part-time and full-time courses ranging from everything from adult literacy to national vocational qualifications." The colleges have cost about £1m to set up and run.

In Bootle, much effort has gone into housing and social projects, such as one which helps drug users make a new start. Bootle hopes to attract £150m of private investment at the end of its five-year term in 1997.

Meanwhile, Liverpool's city challenges has been trying to do something about some of Merseyside's most prominent eyesores. The gateway to the area is Lime Street station - important because it provides the first impression of Merseyside to most visitors.

Across Lime Street from the station the imposing classical St George's Hall was until recently closed and forlorn. The old North Western Hotel above the station concourse was derelict. Victorian houses behind the station were gutted. Even the short walk of 200 yards to the Adelphi Hotel was discouraging. If shops were not boarded up, many seemed to be scrounging discount retail stores.

Mr John Flansom, the director of the Liverpool city challenge, says: "These buildings were symbols of decline. They seemed to suggest the spirit had gone out of Liverpool."

Now the North Western Hotel is being turned into student accommodation with a conference centre. St George's Hall is back in use as a public building. Some of the Victorian houses have been renovated, with their architecturally impressive frontages preserved. Georgian squares in the university area have been prettified.

Some £46.7m has been invested in businesses - largely restaurants, but they pull in people and enliven the area. There is still some way to go, but Liverpool is visibly brighter and more lively than even two years ago.

There is often little to show in urban regeneration schemes of this sort. But, as with the MDC, it looks as though the impact is at last beginning to make itself felt.

Objective One by Ian Hamilton Fazey and Stewart Dalby

## Growth poles targeted

A new economic assessment, funded by the European Union, says that spending should become more focused

Ever since Merseyside was given Objective One status by the European Union at the end of 1993, there has been controversy over how the money should be spent. The issue should have been decided last year when a "single programming document" - EU speak for a spending framework - was agreed, but a more sophisticated approach is about to emerge.

It is contained in a new study called the Merseyside Economic Assessment, now in the final stages of consultation. It has been prepared by Mr Tim Johnston of KPMG, the accountancy firm, and Mr Peter Fell, head of European affairs at Merseyside training and enterprise council. They have used models and advice from Cambridge Econometrics and Warwick University's centre for employment research.

They believe it will enable spending to become more focused and create more jobs and economic output. The problem is that Merseyside could have done with the new analysis two years ago. Ironically, however, it could not be done until Objective One money was available to pay for it.

It was then that Merseyside's per capita gross domestic product fell below 75 per cent of the EU average, qualifying the area for Objective One funds, which are earmarked to help lagging regions catch up. In Merseyside's case, the programme is worth £680m over six years, mostly from the European regional development and social funds.

This is matched, on an annual basis at present, by the UK public sector, mainly through more than £80m for Merseyside's three training and enterprise councils, £30m for Merseyside Development Corporation and an annual £22.5m between them to three city challenges.

With a private sector input of £340m, this makes a total of more than £1.6bn. But money alone does not solve problems. From the outset, there has been concern about whether the committee of public and private sector people monitoring and disbursing the money - and vetting more than 1,500 current applications for assistance - is pursuing the right tactics.

Professor Patrick Minford, the Liverpool University economist, and his colleague Mr Peter Stoney set the agenda by warning against over-emphasis on training, as

this might simply make it easier for people to get jobs outside Merseyside and leave.

"The main thrust of Objective One cash should be as an enabling mechanism for trading businesses to function more effectively - not direct subsidies to make otherwise unviable projects viable, but expenditure on supportive infrastructure like roads and site clearance to make way for both indigenous and inward investment," they argued.

The monitoring committee is trying to do this, channelling the money among five economic "drivers" eventually agreed in the single programming document:

- inward investment and key large companies;
- local business;
- innovation and new technology;
- tourism and cultural industries; and
- human resources.

The human resources driver - much of it training and concerned with creating "pathways" to get unemployed people into work - has so far absorbed £89m, with another £14m likely this year. However, a much bigger emphasis has gone on the inward investment driver.

Winning big inward investment projects is largely dependent on having strategic sites available, so much of the effort in driver number one is concerned with clearing and preparing key sites.

They include the old Liverpool Airport and land around it at Speke-Garston, the former Parkside colliery at St Helens, disused portions of the Cammell Laird shipyard at Birkenhead, Twelve Quays on the Birkenhead waterfront, Knowsley Industrial Estate and two other sites in Bromborough in Wirral and Southport, Merseyside's seaside towns.

Up to 700 acres are involved, about half of them at Speke-Garston and 230 acres at Parkside. English Partnerships will provide the main driving force at each of these. Some £148m has been earmarked so far, with another £78m in the pipeline for the current year.

But it is the human resources spending which neglects with industry and commerce. Mr Michael Postlethwaite, a surveyor with Matthews and Goodman, asks: "What is the point in spending all this money on training for jobs which have yet to be created? I would rather see the money spent on a good access road off the M52. That would encourage companies to come."

Mr Ian Berry, director of the Liverpool Chamber of Commerce, adds: "You can amuse it up by citing what has become known as the hairdressing debate. Why

train so many hairdressers, which is what the Tecs seem to do? That is just sticking plaster on the local economy. The key is to attract new investment and grow companies already here so they can export goods."

Officials at the government office defend their policies by saying that training and social spending are built into their man- social spending the EU monies. Ms Helen Shaw, marketing director at Merseyside Tec, says: "As far as hairdressers are concerned, at least they get jobs. We agree there is little point in training someone to find there is no job at the end of it."

Mrs Pat Jackson, chairman of the monitoring committee's main technical panel and head of the Department of Trade and Industry on Merseyside, thinks attitudes will change as the sites become ready for development and money channelled into the other drivers starts to have an effect.

But Mr Johnston believes they will change more readily if spending patterns are now altered to take in the new economic assessment. There was a very positive response from critics when he briefed members of Liverpool chamber of commerce last week.

The assessment's broad thrust is that while the five drivers are roughly right, more will be achieved by further targeting resources at a series of "growth poles". Strategic sites top the list, but the others are Liverpool city centre, Liverpool Bay, the port and airport, and motorway corridors.

While pathways for the unemployed matter, they concentrate on low value-added, low-paid jobs. Mr Johnston and Mr Fell want a shift of emphasis towards enhancing job creation in existing successful pockets of growth because this will create a more sustainable increase in gross domestic product.

They say sectors such as telecoms, financial and professional services, health research and development, pharmaceuticals, arts, culture, and glass offer the best prospects for encouraging regional import substitution in components and services and exporting added value goods and services outside Merseyside's boundaries.

They claim their approach will add 36,200 jobs compared with the existing framework's forecast of 33,900 - with added GDP of £2,580m a year against £2,350m. The monitoring committee has been impressed by the work and is more than likely to take it on board, especially since Mr Johnston and Mr Fell had an enthusiastic response when they showed EU officials their findings.

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■ The universities: by Simon Kuper

## Campus town looks to business

Private sector money is in demand as thriving companies are sought as partners

Liverpool is fast becoming a student town. Nearly 50,000 of Merseyside's 1.35m inhabitants are students, and the proportion grows each year.

Paul McCartney's Liverpool Institute of Performing Arts will soon take its place beside the University of Liverpool, John Moores University, and the local community college, a further education institute.

The academics are among the giants of the weak local economy, as Merseyside's traditional industries have died out while more and more Britons take degrees. Liverpool's erstwhile reputation for strikes and riots fails to put off students in the

way it deters business people. Professor Philip Love, vice-chancellor of Liverpool University, is also chairman of the Mersey Partnership, the main marketing body for the region. "I don't think there are many other regions where the business community is prepared to accept a vice-chancellor as head of such an organisation," he says. Mr Stuart Melhuish, development director at John Moores, adds: "If you're in Manchester, there's so much more going on that universities aren't that important."

Estimates vary of how much the universities contribute to the local economy. Prof Love, a former lawyer, is more conservative than most in saying that by 2000, £500m will be spent in the city by students, staff and the universities themselves. Prof Michael Parkinson, an urban affairs specialist, says: "The universities employ, they

consume, they spend and they have a major physical impact on the city."

The latter amounts to more than just young people with books under their arms dominating the city centre. Mr Melhuish says that John Moores has spent £70m in inner city

**'Even the cab drivers welcome students when they come back to town'**

Liverpool since 1988, building to accommodate student growth. He points to the North Western Hotel, which stood derelict for 45 years just outside the main railway station, giving visitors a fresh of the train an immediate impression of a city in decay. Now the

scaffolding is up, as John Moores refurbishes the hotel to house students.

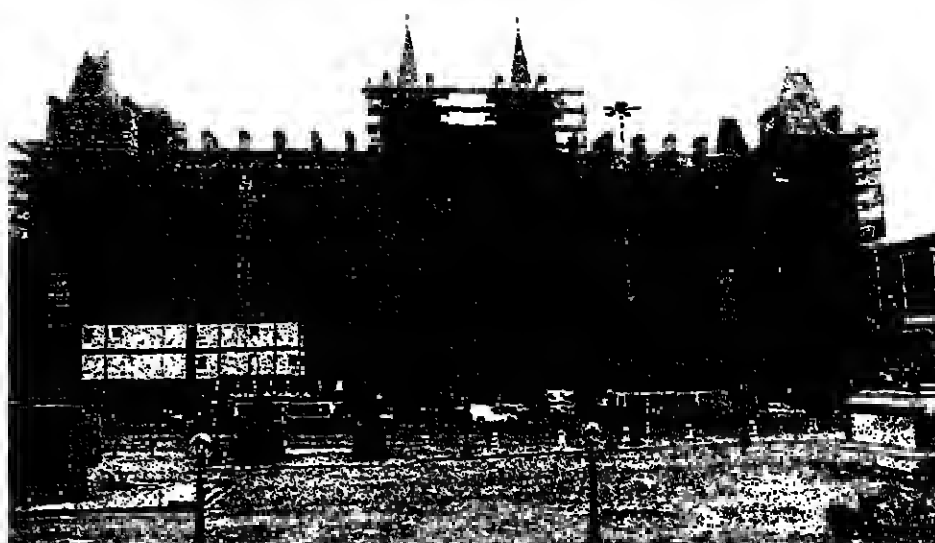
As students move in, the inner city comes to depend on them. "There's been an 'evening economy' that has been built around bars and clubs and fashionable night clubs in the city," says Mr Melhuish. "Even the cab drivers welcome the students when they come back to town." The universities can never create jobs for all the city's unemployed manual workers, but they do employ around 6,000 people. Prof Parkinson points to other European cities such as Dortmund and Montpellier that have been regenerated largely by their universities.

Merseyside's academics aim to be partners of local business. Of Liverpool University's £150m annual budget, £20m comes from collaborative research work with companies. Prof Love has recently bought

the old Liverpool Royal Infirmary building, which is to become a one-stop shop catering to the technology needs of local businesses. He has limited sympathy with academics wanting more time for their own projects. "You can't say, 'Well, I'm only going to do blue skies work. I'm going to live in a vacuum.'"

At John Moores, the university and 42 local companies have joined to build a robotic telescope. Many local chief executives are regulars at John Moores events, says Mr Melhuish. The university runs an MA in quality management for Rover, and an engineering programme at Ford's plant in Halewood.

Research universities all over the country are trying to attract private sector money. The difference in Liverpool, says Prof Love, is that "we happen to have Objective 1 funding". This is money the



Scaffolding outside the North Western Hotel, now being refurbished to house students

European Union pledged to Merseyside when the region's gross domestic product per head fell to 75 per cent of the EU average. This year projects led by Liverpool University have received £22.7m in Objective 1 funds.

Also, because Objective 1 funds are available only for joint ventures between the private and public sector, the scheme has forced universities to look even harder than before for local partnerships. There are problems: the region is short on thriving companies, and, says Prof Love, "Many businesses don't fully realise what happens inside universities."

He is seeking new ways of working with business, beyond research, training and consultancy. For instance, one of Merseyside's problems is a shortage of skilled people. Liverpool University has set up the "Graduate into Employment Initiative", which tries to find jobs for graduates with

local companies. Of the 1,350 graduates who have followed the scheme since 1990, 85 per cent have found jobs within six months of completing it. Most of them in small to medium-sized companies (SMEs). Few Merseyside SMEs had hired graduates before.

Liverpool University's other new action area is, of course, the Internet. The university has trained local companies to use the net, and has set up a web site on which they can advertise their wares. The Internet industry is suited to a region with a poor image, says Mr Colin Charlton, who runs the scheme for the university: "Electronic networks don't understand about geography."

Like so much else on Merseyside, his project has got EU funding. So far, however, only 20 companies use the web site. It seems another case of a corporate-minded university looking desperately for a corporate sector. But the big worry for Liver-

pool's universities is whether the government will fund a further rise in Britain's student numbers. The Confederation of British Industry predicts that soon 40 per cent of Britons will get degrees, up from 31 per cent today - that figure itself is a huge leap over the last decade. But will the government fund the growth?

"Clearly universities are going to go through a more difficult period in the next three years than they have in the past five or 10 years," says Prof Parkinson. Prof Love says that if the government does not stump up, his university's private sector partnerships will become ever more important.

Mr Melhuish sees part of the solution in taking Asian students, who have to pay their own fees. He says they still revere Liverpool as the city of the Beatles and football. Little do they suspect that it is now a campus town as well. Merseyside's not an area by a long way. <http://www.merseyside.gov.uk>

■ The region's reputation: by Simon Kuper

## New image for 'pool of talent

An advertising campaign says that productivity is now above the UK average

The man in the newspaper advertisement is wearing a permed black wig and moustache; he is meant to look like the Scousers in Harry Enfield's television sketches.

But he has a Japanese face, and the text beneath him reads: "To make a Japanese worker even more productive, turn him into a Scouser." The character is a key prong in the campaign to improve Merseyside's image.

It is hard to think of a British region with a worse reputa-

tion among business people than Merseyside. But in some respects the image is unfair, says Professor Michael Parkinson, an urban affairs specialist at Liverpool John Moores University.

For instance, Liverpool has a reputation for militant left council leaders and lazy workers. In fact, its politicians have been quiet as mice since the downfall of Mr Derek Hatton in the 1980s, while the Harry Enfield advert claims that Mersey productivity is 12 per cent above the UK average.

The Mersey Partnership, a joint public-private body, this year launched an advertising campaign aimed at business leaders and local people. The slogan, "Merseyside, a pool of talent", pops up in local news-

papers and on T-shirts, though it has yet to equal the impact of such classics as "I Love New York" or "Glasgow's Miles Better".

As well as the picture advertisements, the campaign used more factual adverts in which local companies made statements about Liverpool. One advert, for instance, quoted the managing director of GEC talking about the productivity of his Merseyside workers.

The partnership tried to reach locals too, with a booklet called "50 Mersey Facts" that emphasises the business successes of the region.

The idea is that if a businessman arrives for a day from London, it is crucial that his taxi driver gives him an upbeat account of Merseyside. "Local

people are the messengers," says Mr Duncan Fraser, a director of Finch, the advertising agency that devised the campaign.

Half a million car stickers and the same number of copies of an expanded booklet, "100 Mersey Facts", will soon hit the streets. Many local companies are involved: the region's three football clubs will help distribute the stickers, and Royal Insurance is sponsoring the distribution of the new booklets.

The partnership claims that the newspaper adverts, which ran in the broadsheets, affected the perceptions of leaders of companies with more than 500 employees, although they hardly reached the population as a whole. This fits in with the partnership's aim, which is to attract investment. But Mr Neil Rami, marketing manager of the partnership, says that many business people remain suspicious of the region.

Prof Parkinson believes that the people whose attitudes to Merseyside have been most affected by the campaign are the region's own decision-makers. He thinks they now have a clearer idea of the area's strengths.

The partnership will receive European Union funds for the campaign if it can show on December 31 that the adverts triggered sufficient telephone inquiries. Mr Rami is confident of meeting the EU targets. But he adds: "If we can't continue the campaign, it might create more scepticism than there were in the first place." He hopes for an annual budget of £1.5m to £2m, about a third of which would come from EU funds.

This is small beer compared to the campaigns of some other British cities, points out Mr Christopher Gibaud, chief executive of the partnership. That makes it all the more important for the slogan to be seized on by local T-shirt makers and companies. So far 40 Merseyside businesses use the 'pool of talent' logo.

There has been just one major slip-up so far. One advertisement, designed to show that Merseyside was no longer strike-prone, had to be pulled last month when dockers took industrial action. Mr Roger Pridoux, public affairs manager at Royal Insurance UK, one of the region's biggest companies, says: "The objective of the campaign surely must be that if there's a strike in Liverpool, it's regarded as no more important than a strike in Newcastle, London or wherever."

But the Mersey Partnership is acutely aware that such events have a bigger effect on Liverpool's image than any advertisements can. Everything could be undone by



Christopher Gibaud, Mersey Partnership's chief executive

another Heyssel or Hillsborough football tragedy, more riots in Toxteth, or the return to local politics of the legendary figure who sent council workers their redundancy notices by taxi.

Conversely, the forthcoming launch of Paul McCartney's Liverpool Institute of Performing Arts will provide exactly the publicity the region needs. The 'pool of talent' slogan was chosen partly to evoke Merseyside's traditions of great music and football. Research for the campaign had found that businesses deciding where to locate were most concerned about the quality of the local workforce. The underlying message of the campaign is that if you invest in Liverpool your workers will be as imaginative as the late John Lennon, and as effective as Ian Rush, the Liverpool footballer.

Prof Parkinson warns: "I'm not absolutely certain how much image affects investment. I think investors are pretty hard-nosed. They're not terribly interested in gossip about what the place was like five, 10, or 15 years ago."

But Mr Gibaud believes many investors in the south-east are still saying: "Merseyside, forget about it." He knows what he is talking about. "Five years ago I can remember being asked about Merseyside and dismissing it. Wrong place, wrong time, wrong everything."

The Mersey Partnership's is the biggest campaign the region has ever unleashed. But Merseyside has a lot of ground to make up. "The north-east probably started before us," says Mr Fraser. "And they never had Derek."

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## IV MERSEYSIDE

■ The docks: by Ian Hamilton Fazeby

## Management mettle tested

Even a controversial lockout has failed to prevent the port from thriving

This looks like becoming the most significant year for the Port of Liverpool since the old Mersey Docks and Harbour Board defaulted on its bonds and went bust 25 years ago.

Its successor, the Mersey Docks and Harbour Company, has achieved record turnover and profits, leapfrogged up the league table of the UK's quoted companies, all but seen off a major competitive threat in the Mersey and sacked 350 striking dockers, replacing them with fewer but more flexibly-minded workers - and it seems to have got away with it.

Few things could better symbolise the new Merseyside. The port has always been the main economic driver for Liverpool, Birkenhead and their hinterland. The area grew and prospered with the port from the early 19th century; the regional economy languished when the port declined.

But the port is now back and thriving: 20 years ago Mersey Docks was turning over £52m and losing nearly £4m; in 1994, turnover was still languishing at just over £50m, with pre-tax profit at £807,000; last year's turnover was a record £130m, with profits of £33.6m.

Even though the latest figures reflect Mersey Docks' takeover of the Mersey Ports late in 1993, Mersey's cargoes accounted for only 1.3m tonnes of 30.6m tonnes of throughput. Moreover, not only was the 29.3m tonnes handled in the Mersey better than in what was once thought the port's heyday four decades ago, but modernisation saw the job done with 250 dockers, rather than the 10,000 of yesteryear.

One result is that Mersey Docks as a company has successfully broken through the £250m market capitalisation ceiling that defines "small" quoted companies on the London Stock Exchange and is now attracting big company investors and financial institutions. This month market capitalisation has been running at nearly £400m, with the share

price around 440p. The company and its stock were almost worthless a generation ago.

Two events in 1989 propelled Mersey Docks towards its current resurgence. One was the abolition by the government of the national dock labour scheme, which gave dockers jobs for life. Any redundancy had to be voluntary. The scheme was expensive as the port sought to modernise.

The other came when the government set the company free by writing off £111.5m of debt - public funds ploughed in over many years to modernise the port and buy off thousands of redundant dockers.

Mr Trevor Furlong, Mersey Docks' chief executive, gets indignant with anyone who suggests this was an undeserved leg-up. "It was never 'our' money," he insists. "We acted as bankers for all employers in the port. With jobs legally guaranteed under the scheme, we were the employer of last resort when companies such as Smith Coggin, Ocean Port Services and Port of Liverpool Stevedores could not keep them on."

The abolition of the national dock labour scheme, however, has been truly tested only this year. In September, 80 men employed by Torside, an independent stevedoring company, lost their jobs when the company went into liquidation. Mersey Docks refused demands to employ them and sacked 350 of its own employees when they refused to cross a picket line set up by the Torside men.

Not crossing the line amounted to an illegal, unofficial strike which has, in effect, cut the men off from official support by the T&G transport union and split it. Full-time officials had warned them not to jeopardise their jobs. The union now has to act for hundreds of other workers throughout the port who crossed the Torside picket line, 60 of them dockers.

The sackings have caused a wider split, as church and Labour party leaders have sided with the unofficial strikers, pleading for their job reinstatement and claiming that to expect Mersey dockers to cross picket lines is unreasonable because of the area's traditions of labour solidarity.

Mersey Docks and Harbour Company - the 20-year record				
Year	Turnover (£m)	Profit/(loss) (£m)	Trade (m tonnes)	Dividend (p)
1975	52.2	(4.0)	22.5	Nil
1976	50.8	4.4	21.3	Nil
1977	52.7	4.1	18.5	Nil
1978	64.4	(1.5)	15.9	Nil
1979	66.3	(7.5)	15.4	Nil
1980	65.8	(5.3)	12.5	Nil
1981	61.4	(6.7)	11.0	Nil
1982	55.5	(13.6)	9.3	Nil
1983	57.0	7.5	10.7	Nil
1984	50.2	0.8	9.2	Nil
1985	53.0	2.4	10.2	Nil
1986	61.4	2.1	10.8	Nil
1987	53.8	3.8	10.3	Nil
1988	55.2	8.5	19.7	Nil
1989	57.1	8.3	20.3	4.18
1990	59.6	10.8	23.1	5.00
1991	69.5	13.2	24.7	6.00
1992	86.4	15.2	27.8	7.50
1993	98.4	20.3	29.3	9.00
1994	129.9	33.6	30.6	10.50

The dock company refused charges. Legitimate means of protest have included pressure from Labour MPs and Mr Ken Stewart, the MEP for the area and a former Liverpool city councillor in the mid-1980s.

Support from US longshoremen has raised hopes among the sacked men that cargoes and ships will be blacked in the US. Meanwhile, some shipping lines are staying away until the new labour force is up to speed and can offer a competitive service with other European ports.

Feelings are running high. Police are investigating claims of intimidation and criminal damage and there have been



The Albert Dock now a tourist attraction

This last point seems to be the crux of it all: shippers expect up to 25 crane movements an hour from an efficient container terminal. Mersey Docks claims it was doing this two years ago, but says performance declined to 15 as dockside disputes developed over flexible working hours.

It says it was in danger of losing traffic anyway, but now has a realistic chance of regaining it. It has dug in and says the only way the sacked men can get work is to apply for jobs with its contractors.

Although the situation worries Merseyside's image-makers, many business leaders take a more robust view. They say that the fact that the port continues to operate proves the area has long gone when Mersey dockers could easily bend a management to their will.

Competitors have also tested Mersey Docks' mettle this year. Forth Ports joined a consortium of property developers with plans at Birkenhead for a floating stage and terminal for the expanding market in Irish Sea roll-on, roll-off freight.

Mr Furlong's competitive backles were raised by the scheme, partly because it was his idea in the first place. Merseyside Development Corporation, which owns the Twelve Quays site in Birkenhead, turned down Mersey Docks because it did not have enough property development in its proposals.

But Forth Ports wanted an EU subsidy from Merseyside's Objective One funding to make its project viable. On the eve of the funding decision, Mersey Docks stymied its rival by announcing it would finance its competing plans entirely from its own resources.

The Irish Sea market is at present big enough for only one floating stage and ro-ro terminal, and EU money cannot be used to fund overcapacity. Officially, Forth Ports' proposal is still on the table, but it can be reactivated only in the unlikely event of Mersey Docks not going ahead.

The upshot of all this is that, economically speaking, a muscular Mersey Docks is back from the dead. Whatever the outcome of this year's problems, it is again at the core of the Merseyside economy.

■ Oil and gas by Stewart Dalby

## A lucky strike off the west coast

While they do not yet rival the North Sea, the new fields may have a life of 20 years

When oil and gas from the new Liverpool Bay fields start to flow early next month, it will be another landmark for BHP.

The company became a significant force in the UK oil and gas industry when it acquired Hamilton Oil in 1991. Hamilton, which had been an independent exploration and production company for more than three decades, produced the UK's first North Sea oil from the Argill field in 1975.

BHP has paid for the exploration risk at what is set to be the first commercially viable combined oil and gas development off Britain's west coast. It has a 46.1 per cent stake in the integrated Liverpool Bay development, shared with Lascro North Sea (25 per cent), Monmouth (Liverpool Bay) Petroleum (20 per cent) and PowerGen (North Sea), which has the rest.

Two of the consortium's four Liverpool Bay fields - Hamilton and Hamilton North - contain gas only, while Douglas contains only oil and Lennor contains a mixture of both. All are in shallow water in sight of land, with one only a few miles from the beach at Ainsdale.

Reserves are estimated at 1.2 trillion cubic feet of gas and 150m barrels of oil, which should give the fields a minimum life of 20 years. Oil will be loaded onto tankers and is expected to flow at a rate of 70,000 barrels a day. The gas, however, will be landed at the Point of Ayr terminal on the Welsh side of the Dee estuary, to be piped 17 miles to PowerGen's new generator at Connah's Quay.

The BHP consortium has spent \$1.1bn over 10 years developing the field. Operational expenditure is likely to be \$40m a year.

Although the reserves are relatively easy to access, Mr Charles Howson, director of communications at BHP Exploration, says it would be wrong to assume that the fields have been cheap to develop.

"There have been strict ecological and environmental conditions to observe. This all cost money," he says. Some 250 people will be employed directly in operations, but the question being asked on Merseyside is what the spin-off will be for the local economy in terms of contracts and jobs.

The oil and gas industries are internationally mobile and tend to be self-contained. Merseyside will not even see any of the oil, which tankers will shuttle to storage for export to north European markets.

Mr Charles Green is the oil and gas expert at Sefton Borough Council. Bootle - part of Sefton - contains West Hornby dock, which BHP chose for the fields' supply base. He says: "We have tried to be conservative and not let expectations get out of hand."

The Liverpool Bay development is still small compared to the North Sea, and the oil price is not what it was. Initially at least, much of the servicing will come from BHP's established base at Aberdeen. But we are encouraging companies to believe there will be contracts they can get."

Ms Rita Darwin, head of economic development at Sefton Borough Council, says: "Although much of the industry is self-sufficient, people have still got to eat. They want videos. There are all kinds of areas where local companies can participate."

"Don't forget Liverpool is a port. There is a tradition of marine engineering. There are also petrochemical industries like ICI and Shell in Runcorn and Ellesmere

Port. There have to be spin-offs for the local economy. We must make sure that people are aware of them," she says.

Some contracts have already been won. The local Bibby shipping line is providing manpower services and regular shuttles to the rigs and installations. There are currently 27 helicopter flights a day from Liverpool airport at Speke, again run by a local company.

One of the most encouraging portents is that the local authorities are pulling together. In the past, the five district councils in Merseyside have often competed against each other rather than act in harmony.

Ms Darwin says: "It has been agreed that Sefton will take the lead in co-ordinating our approach towards the growing oil and gas industry."

Mr Mike Swift, head of the Sefton Chamber of Commerce, has become heavily involved in promoting oil. He says: "It is difficult to predict exactly how many jobs will be created, but \$40m a year over 20 years is not exactly small beer. We are bound to get some spin-off."

The chamber and borough council have published a Merseyside Oil and Gas Directory, covering 500 companies which could supply the industry. "We have had 120 companies involved in 'meet the buyer' meetings. Contracts have already been signed for office furniture and flow machines as a result of these meetings," says Mr Swift.

Much depends, however, on a bigger industry emerging. Encouraged by BHP's success, other oil companies have bought licences and started exploration elsewhere in Liverpool Bay. Chevron has started drilling.

As Mr Green says: "A few more funds will make it economical to switch more servicing from Aberdeen. We are all living in hope."

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## COMMODITIES AND AGRICULTURE

## MARKET REPORT

## Coffee premium soars on supply tightness

London robusta COFFEE futures ended generally weaker at the London Commodity Exchange yesterday, but concern about dearth of supplies available for immediate delivery led to a further widening of the spot premium. As the January premium fell \$1 and the prompt November rose \$5 the premium, which ended last week at \$172 a tonne, soared to \$200.

"The market is quite well supported," commented one dealer. "The structures are holding up."

Traders said there was some caution ahead of the meeting of the Association of Coffee Producing Countries in Bali next Monday, but little drastic action to shore up weakening coffee prices was expected. "What else can they do?" a trader asked.

An ACPC official said it would make sense to extend the export retention plan past June 1996, when it is due to end, but traders thought that was unlikely. "I don't see how they finance the plan already," said one.

LCE COCOA futures prices drifted to end at the day's lows in mostly quiet conditions. The March delivery position closed down \$6 at \$266 a tonne but was well above Wednesday's low and nearby support level of \$250.

At the London Metal Exchange ALUMINIUM prices managed to clear the \$1,700-a-tonne level but chances of sustaining a solid rally in the short-term did not appear great, analysts said. The three months delivery position ended at \$1,710 a

tonne, up \$12 on the day and just over \$40 on the week so far. More physical business had been seen recently, consumer interest was picking up and aluminium was becoming less influenced by copper, traders said.

The physical activity suggested destocking might be ending, they added. Production was on an upward curve and there was plenty of stock available.

Precious metals firmed slightly in the afternoon after early selling from the Far East was well absorbed, dealers said.

"Hong Kong dealers were good sellers overnight which seemed well absorbed on the London opening which looks positive for the market," a dealer said. Others said a central bank was a significant buyer.

They identified the \$382-a-ounce level as the price which was apparently being defended by the producer-country central bank in morning dealings. Compiled from Reuters

## Rubber group faces limbo with confidence

Leading rubber producing and consuming nations hold their last council meeting here next week before sitting back to await a fresh rubber pact to give the trade and their international grouping a new lease of life, reports Reuters from Kuala Lumpur.

Their International Natural Rubber Organisation will be in a state of limbo until the new third International Natural Rubber Agreement comes into force, but it will not shut its doors, officials say.

"I don't believe there'll be a move to liquidate Iro," says Mr James Hegarty, the organisation's buffer stock manager. "Most governments have said they will ratify Iro III and we have \$670m (US\$27.7m) in buffer stock funds to keep operating until the pact comes about."

Iro, based in Kuala Lumpur, is the last of the commodity groupings with some muscle.

## UN body sees timber market remaining gloomy

By Frances Williams in Geneva

The European market for forest products has sagged unexpectedly this year and is expected to decline further in 1996, according to the UN Economic Commission for Europe.

In its annual review of forest product markets for 1995 and 1996, the ECE says the industry's prospects have been dampened by sluggish economic growth and high real interest rates, which have depressed sectors such as construction.

In some sectors, such as the sawwood and paper markets, stockpiling in expectation of higher prices has led to oversupply and downward pressure on prices. Market pulp prices peaked in autumn 1995, after doubling over the previous two years to record levels.

The UN body also warns that heavy investment in the wood-based panels sector may not be "fully justified by trends in the markets".

After rising in 1994 following three years of decline, sawn softwood consumption in Europe is forecast to slip this year by 1.2 per cent, to 73.3m cubic metres, and by another 1.7 per cent in 1996.

Sawn softwood production is expected to increase slightly in 1995 to 74.8m cu m because some countries raised output earlier in the year before demand and prices fell. But production is forecast to fall back next year to 73.2m cu m. Softwood log production and consumption are predicted to follow similar trends.

Better prospects are seen for European hardwoods, with demand and output rising. Parquet flooring markets have doubled since 1986, the review notes. Temperate hardwoods are also increasingly a substitute for imports of tropical hardwoods, which are forecast to fall this year to 2.2m cu m, the lowest level in a decade.

Some eastern European countries, such as Poland, are also seeing dynamic expansion of the forestry sector. Russian sawnwood output, now only a third of 1988 levels, has continued to fall this year but the ECE predicts a rise in 1996.

The body says European forests are under-exploited, with wood removals far below the biological potential. "Efforts should be made to develop markets in order that the potential can be better utilised," the ECE argues.

## Australian cotton processors abandon merger plan

By Nicky Tait in Sydney

Two of Australia's biggest cotton processors, the Namoi Cotton Co-operative and the listed Queensland Cotton Corporation, are halting plans for a merger. Had the first announced in July, gone ahead, it would have created the country's biggest single cotton-ginning and marketing

operation, with sales in excess of A\$488m.

A formal statement from the companies said that the merger's collapse came after months of due diligence and "was the result of the inability of both parties to reach agreement on some key aspects of the merger".

Elaborating on this later, Mr Richard Haire, chief executive

of QCC, said that he felt the deal had foundered on scale of changes facing Namoi - which would have lost its co-operative structure - and the price being asked in return for making those changes. In addition, he suggested that the current buoyant outlook for the industry, after several poor drought-affected seasons, had removed some of the pressure for the

merger.

This is the second time Namoi, one of the largest grower-controlled ginning and marketing operations in the world, has been involved in abortive merger talks: plans for a merger last year with Cotton Trading Corporation, the independent cotton marketer, subsequently broke down. Namoi has around 600 grower mem-

bers, but has seen mixed financial results recently. It said this week that it was still committed to making "fundamental changes" to the business, and would outline these next month.

The deal had been given a green light by the Trade Practices Commission, the country's competition watch-

## Ghana's headlong gold rush continues

Mining law reforms have proved so effective they are being widely copied, writes Kenneth Gooding

The gold rush in Ghana continues at a headlong pace. It is being encouraged by the government's new mining laws that have been so effective that they are being copied by countries all over the world, particularly those that want to see more foreign investment in their mining industries. But Ghana is also stressing that, although it was once called the Gold Coast, the country can offer other mining opportunities.

As Mr Kofi Ansah, chief executive of Ghana's Minerals Commission, emphasises: "There is more to mining in Ghana than just gold." He says that to promote foreign investment in non-gold mining projects "we will give as much as the law allows, for example by postponing royalty payments".

Much of the country has already been carefully picked over by gold explorers, and Ghana is to fill in most of the gaps with an aerial geological survey of the Volta region and the northern part of the country.

The World Bank is helping to finance this project, Mr Ansah, speaking at the Minerals Commission's offices in a quiet suburb of Accra, says his government will own the data and



Mr Kofi Ansah. He says "there is more to mining in Ghana than just gold".

mining companies will be asked to pay for the information - but at a rate well below cost. The survey "will give a picture of the types of minerals available", he points out.

Apart from an abundance of potential gold "targets", previous exploration has established that Ghana has two more big undeveloped bauxite deposits and a limestone deposit in the western region.

There is also a manganese deposit in the same region which, says Mr Ansah, is being tentatively examined by BHP.

Australia's biggest company. There are also diamonds in the Birim River. De Beers, the South African group that controls 80 per cent of the world's trade in rough (uncut) diamonds, decided against taking a controlling stake in the state-owned Birim River Diamonds, saying that most of the stones in the river were mainly too small. A number of small companies are now queuing up to see what they can make of the opportunity.

Diamonds contributed \$21m of Ghana's foreign earnings last year, well behind the \$527m it earned from gold. Bauxite exports brought in \$9.2m, about the same as the \$9.6m from manganese.

The state-owned Ghana National Manganese Corporation is also on the list for privatisation. Mr Ansah says the government, through its privatisation programme, is making clear it does not believe that it should be directly involved in operating mines or minerals processing plants.

Elkem of Norway was selected as a potential partner for the government in the Manganese Corporation because the Norwegian company offered the prospect of doing some downstream processing

to add more value in Ghana itself. But Elkem said this month that it was not interested in taking a stake in the Ghanaian company.

Mr Ansah says he personally was not convinced that the processing scheme would come to anything because it apparently would call for the availability of cheap power and "the days of cheap power in Ghana are over".

Ghana has suffered power shortages - by processing bauxite demand - consumption is growing at between 8 and 15 per cent a year - and a long drought that affected its two hydro-electric power plants. Two years ago mining companies were told that they could not expect any extra power if they wanted to expand.

The situation will be relieved from 1997 when the first phase of an oil-based power scheme comes into operation. This will add 25 per cent to Ghana's power generation capacity but will also add to the cost. The government will also privatise power generation and this is expected to raise power costs further, says Mr Ansah.

There is one exception to the privatisation rule. Ownership

of Ghana Bauxite Company, where the government owns 55 per cent and Alcan of Canada the rest, will not change.

Mr Ansah says Alcan persuaded the government to keep its stake. The Canadian group probably was influenced by the fact that the viability of the bauxite company relies heavily on rail transport - and the government owns the railway.

There are no substantial plans to introduce downstream operations at the bauxite company - by processing bauxite into alumina - as this would be too costly. But the company will spend a modest \$3m on a facility to produce alumina sulphate.

Mr Ansah says that most foreign mining companies suggest that Ghana's mining laws and policies offer a good balance between the interests of investors and the country.

"The government is gaining a great deal from mining investment - there is no way we could develop all the mines ourselves," he points out. He admits, however, that while mining might be good for Ghana's economy, it is not always environment friendly. For example, difficulties sometimes occur when mining com-

panies need to use streams on which local communities depend. "We put pressure on the companies to keep such problems to a minimum and the international lending organisations such as the International Finance Corporation and the World Bank are also putting on a lot of pressure - that often has more influence than government pressure."

The flotation of Ashanti Goldfields on the Accra and London stock exchanges last year - a move that enabled the government to reduce its shareholding in the country's premiere gold producer - helped to raise Ghana's international profile and "higher quality" mining companies are now showing an interest in the country, says Mr Ansah. He cites Western Mining, one of Australia's biggest mining groups, as an example.

When foreign mining companies are asked what Ghana could do to become an even more attractive place to invest, they frequently ask for personal tax concessions for expatriate personnel. Mr Ansah says his government will not budge on this point, however, it is simply not Ghana's policy to give such concessions.

## Further falls forecast in Chinese copper market

Copper futures are likely to remain in a downturn in China until early next year, mainly because of weak spot demand under Beijing's continued austerity measures, according to local analysts, reports Reuters from Shanghai.

Prices have been dropping on the Shanghai and Shenzhen metal exchanges since August, with demand steadily decreasing, despite a steady international trend, they said.

Late in August, copper prices on the London Metal Exchange

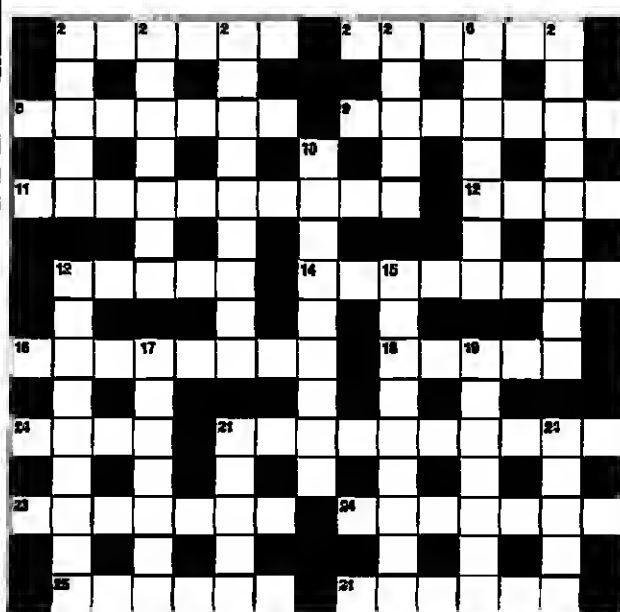
hit their second-highest point this year of \$3.03 a tonne but their counterparts in China failed to follow and stood at Yn31,000 a tonne, Yn1,000 yuan lower than in June.

LME copper's subsequent slide below \$2,900 has been followed in China, however, where it was recently trading at Yn26,000.

"Weak spot demand on the domestic market was the main factor," said Mr Wang Ji, an analyst with China International Futures (Shanghai) Company.

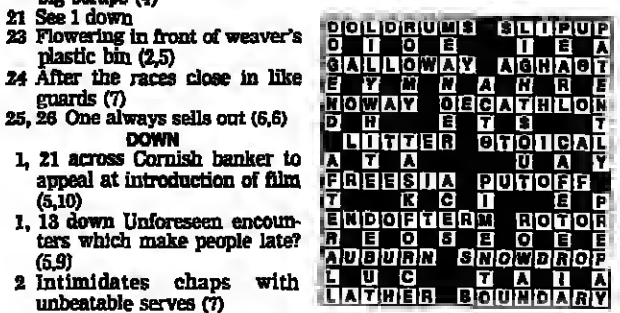
## CROSSWORD

No.8,927 Set by GRIFFIN



- ACROSS
- 4 Worked out I'd a clot for my GP (6,5)
  - 8 College fellow withdraws comment, ringing alert (7)
  - 9 Frighten second call girl with a half leer (7)
  - 11 Bolt into bed elsewhere, having stopped up (7,3)
  - 12 In bed gentlemen have the advantage (4)
  - 13 Unmarried male is in passage (5)
  - 14 Quietly I said "see note on solo arranged for flowers" (8)
  - 16 Long to embrace sick Greek hero (8)
  - 18 Remains of male donkey found outside (6)
  - 20 Ex-cop getting into very big scrape (4)
  - 21 See 1 down
  - 22 Flowering in front of weaver's plastic bin (2,5)
  - 23 After the races close in like guards (7)
  - 25 One always sells out (6,5)
- DOWN
- 3, 21 down To refrain from interfering don't use any water? (5,4,5)
  - 5, 16 Not what one would expect from an eccentric (3,3,3)
  - 6 Coming round to drop a note in mine (7)
  - 7, 22 Precise book required for monastic society (8,5)
  - 10 Write music about it for Daisy? (9)
  - 13 See 1 down
  - 15 Making Lisa run off is narrow-minded (7)
  - 19 Cheated out of nothing by the tearaway (7)
  - 21 See 3
  - 22 See 7

Solution 5,826



## JOTTER PAD

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Eastern Electricity

## COMMODITIES PRICES

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Antwerp and Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 1770-11

Previous 1677-58

High/Low 1677 1719/1697

AM Official 1677-78

Karb close 1711-12

Open int. 282,835

Total daily turnover 98,788

ALUMINIUM ALLOY (\$ per tonne)

Cash 1380-405

Previous 1380-405

High/Low 1400-10

AM Official 1400-10

Karb close 1440-50

Open int. 4,226

Total daily turnover 850

LEAD (\$ per tonne)

Cash 745.5-7.5

Previous 745.5-7.5

High/Low 745.5-7.5

AM Official 745.5-7.5

Karb close 722-3

Open int. 32,216

Total daily turnover 11,815

NICKEL (\$ per tonne)

Cash 8570-80

Previous 8570-80

High/Low 8570-80

AM Official 8570-80

Karb close 8710-20

Open int. 43,850

Total daily turnover 10,843

TIN (\$ per tonne)

Cash 6400-10

Previous 6400-10

High/Low 6400-10

AM Official 6400-10

Karb close 6400-10

Open int. 68,000

Total daily turnover 11,815

COPPER, grade A (\$ per tonne)

Cash 2741-42

Previous 2741-42

High/Low 2741-42

AM Official 2741-42

Karb close 2741-42

Open int. 2741-42

Total daily turnover 2741-42

22NC, special high grade (\$ per tonne)

Cash 1053-54

Previous 1053-54

High/Low 1053-54

AM Official 1053-54

Karb close 1053-54

Open int. 1053-54

Total daily turnover 1053-54

22NC, special high grade (\$ per tonne)

Cash 1053-54

Previous 1053-54

High/Low 1053-54

AM Official 1053-54

Karb close 1053-54

Open int. 1053-54

Total daily turnover 1053-54

## Base metals continued

LME AM Official 2500 1.5942

LME Closing 2500 1.5937

Spot 1.5937 3 mths 1.5937 6 mths 1.5938 9 mths 1.5938

## PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (royal) \$ price 392.00-392.50

Opening 392.00

High/Low 392.00-392.50

AM Official 392.00-392.50

Karb close 392.00-392.50

Open int. 392.00-392.50

Total daily turnover 392.00-392.50

LEAD (\$ per tonne)

Cash 745.5-7.5

Previous 745.5-7.5

High/Low 745.5-7.5

AM Official 745.5-7.5

Karb close 722-3

Open int. 32,216

Total daily turnover 11,815

NICKEL (\$ per tonne)

Cash 8570-80

Previous 8570-80

High/Low 8570-80

AM Official 8570-80

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TIN (\$ per tonne)

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High/Low 6400-10

AM Official 6400-10

Karb close 6400-10

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COPPER, grade A (\$ per tonne)

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Previous 2741-42

High/Low 2741-42

AM Official 2741-42

Karb close 2741-42

Open int. 2741-42

Total daily turnover 2741-42

22NC, special high grade (\$ per tonne)

Cash 1053-54

Previous 1053-54

High/Low 1053-54

AM Official 1053-54

Karb close 1053-54



## INTERNATIONAL CAPITAL MARKETS

## Rate-cut prospects prompt modest rises

By Richard Lapper

Actual and expected cuts in interest rates were again the main focus of attention in the European sector, helping a modest rise in prices in most markets. But with the US closed for the Thanksgiving Day holiday, trading volumes were thin.

The main economic data of the day came from Germany, with consumer price index figures for the state of North-Rhine Westphalia providing further indications of subdued inflationary pressure.

Figures for November showed inflation unchanged on an annualised basis at 1.7 per cent.

Mr Julian Jessop, international economist at HSBC Markets, said the core components of the index were all flat or lower and that the underlying picture was encouraging for the prospects of an early rate cut.

Mr Ian Douglas, head of bond research at UBS, agreed. "It is just a matter of time. Whether before Christmas or in the first quarter of next year, German rates are going to come down. All this is very positive for the end of the market," he said.

Yesterday, the 10-year yield spread of German bonds over US Treasuries narrowed again, by 1 basis point to 24 points, and futures contracts closed slightly higher.

The French markets shrugged off disappointment stemming from the Bank of France's decision not to reduce its five to 10-day rate, leaving it unchanged at 6.10 per cent. On Matif the 10-year futures contract settled at 119.30, up 0.20.

## GOVERNMENT BONDS

Gilt continued their strong performance in the run-up to next week's budget, with the December 10-year reaching a new contract high of 109.4, before falling back to close at 109.3, up more than a quarter.

Mr Andrew Roberts of UBS said demand from interna-

tional investors was the main factor helping gilt break into a new trading range.

Scandinavian markets had a mixed day. A higher than expected cut in the 14-day CD rate - by 15 basis points to 5 per cent - provided support for the Danish market, which outperformed Germany, but Sweden slipped back.

Mr Douglas at UBS said the Danish market had been buoyed by lower than expected inflation numbers earlier this week and since the Danish central bank had now finished its funding programme for 1995, there was less supply pressure hanging over the market.

Yesterday's rate cut boosted the short end of the curve,

prompting some steepening, with the spread between two and 10-year bonds widening by 5 basis points to 205 points.

At the longer end, yields on the nine-year benchmark - the 7 per cent due 2004 - fell by three basis points. The 10-year yield spread of Danish bonds over Germany narrowed by 1 basis point to 120 points.

The Swedish market lost some ground, partially as a result of profit taking. Swedish yields over Germany widened by 7 basis points to 261 points.

Spanish markets started well but drifted back after the Bank of Spain opted not to reduce the repo rate from its current 9.25 per cent, and closed only slightly higher.

## Regulators find disclosure of activities has improved

By Richard Lapper

International banks and securities houses have made progress in increasing the amount of information they disclose about their activities in the derivatives markets, according to a recent report.

The report - issued jointly by banking and securities industry regulators - shows that banks, especially in the US, are giving more information about their exposures to adverse movements in the markets, defaults by creditors or sudden contractions of liquidity.

Information of this kind is important because the enormous growth of business conducted off-balance sheet - usually resulting from dealing in the swaps and derivatives market - has made it difficult for regulators and market practitioners to assess the real financial health of banks and securities firms.

The report examined the level of disclosure by analysing the 1994 annual reports of 67 banks and 12 securities firms. The researchers then compared the information with that disclosed by the same firms a year previously.

The exercise revealed a marked rise in the willingness of banks to make public details which had previously remained confidential.

All of the banks and firms surveyed, for example, provided details of the national amounts of their derivatives holdings, compared with only 67 in 1993.

Almost half the banks and all the securities firms notified details of their derivatives trading activities.

Nearly twice as many banks and houses (25 compared with 13) provided information distinguishing their over-the-counter positions from their exposures on traded derivatives markets.

Twice as many banks (31

against 15) provided a so-called combined maturity schedule, giving details of the outstanding maturities of derivatives on their books.

Dealers are also providing more information relating to credit risk.

For example, a total of 45 banks and securities houses - compared with 35 in 1993 - disclosed the so-called "risk-based capital credit equivalent amounts of derivatives" (a measure of the potential future credit risk stemming from swaps and other derivatives positions).

## DERIVATIVE INSTRUMENTS

Twenty-one banks and six securities firms provided details on the counterparty credit quality of their derivatives portfolio, compared with five and one respectively in 1993.

More information was also supplied allowing shareholders and customers to assess the exposure of firms to particular industries or geographical regions.

The most notable change in 1994, however, was the provision of so-called market risk information - drawn from value-at-risk computer models which monitor day-to-day exposure to movements in the prices of shares, bonds, currencies and other financial instruments.

Eighteen banks and houses provided quantitative market risk information compared with four firms in 1993.

The report also found that banks are providing more qualitative information, reporting, for example, on the approach they adopt to particular risks and the management groups responsible for implementing policy, although the results are uneven.

"There remain significant differences across large, inter-

nationally active banks and securities firms with respect to the type and usefulness of information disclosed," the report says.

The most obvious differences stem from distinct national approaches.

Italian banks score badly on virtually all counts. None of the eight surveyed provide details of market or credit risks, nor any qualitative assessment.

By contrast, US banks appear to be in the vanguard of sophisticated risk management practices, undoubtedly reflecting their greater experience in the area.

More than half the 10 banks surveyed provided detailed assessment of market risks, giving shareholders details of the daily changes in the values of portfolios and the effect of derivatives on so-called gap positions - which measure the difference between the maturities of assets compared with liabilities.

Mr Tim Shephard-Walwyn, international adviser to the Securities and Investments Board, the UK securities industry watchdog, welcomed the report.

"This is an area where we have made significant progress," he said. The report reflects the "increasing interest in the use of market mechanisms to impose discipline," he added.

"By underlining the need for firms to make their own credit decisions based on good quality information about their counterparties, good practice is reinforced by market disciplines."

Public Disclosure of The Trading and Derivatives Activities of Banks and Securities Firms. Joint Report by the Securities and Investments Board, the UK securities industry watchdog, welcomed the report.

## D-Mark debut by Buenos Aires well received

By Conner Middelmann

With the US closed for the Thanksgiving Day national holiday yesterday, trading in the eurobond market was subdued and primary activity was limited to only a handful of non-dollar issues.

The Argentine Province of Buenos Aires made its debut in the D-Mark sector, with a DM150m issue of three-year bonds via Salomon Brothers.

## INTERNATIONAL BONDS

and Westdeutsche Landesbank Girozentrale, the investment bank affiliated with Germany's savings banks network which represents a large pool of retail investors.

Indeed, retail buyers were attracted by the bonds' 10 per cent coupon and re-offer price below par, the lead managers said. They also reported good demand from emerging-market fund managers and some switching into the bonds out of Venezuela's DM500m issue of three-year bonds, launched on

Monday. The Province of Buenos Aires is rated B1/BB-, compared with Venezuela's rating of Ba2/B+.

Buenos Aires was the third Latin American issuer to tap the D-Mark sector this week, following offerings from Venezuela and Argentina. This slew of issues has pushed back the widely flagged DM200m five-year D-Mark debut of the Republic of Colombia, which is now likely to come early next week.

The delay is partly due to Colombia's desire to differentiate itself from other Latin credit-issuers while this week's new bonds, with coupons between 8 per cent and 10.5 per cent, were priced at yield spreads of between 465 and 565 basis points over German government bonds. Colombia's offering is expected to have a coupon of around 7 per cent, yield 160 to 170 basis points over the interpolated German government yield curve, and to be targeted at institutional rather than retail investors.

Chile and Columbia are the only investment-grade rated Latin American issuers, but

## NEW INTERNATIONAL BOND ISSUES

Borrower	Amount M	Coupon %	Price	Maturity	Yield %	Spread bp	Book number
D-Deutsche	150	(6.1)	100.09	Jan 2003	0.20	-	DG Bank
CLF Hypo. Berlin/Bf	150	10.00	98.75	Dec 1998	1.125	+56(5M-05)	Salomon's West.B
Province of Buenos Aires	100	8.00	98.98	undated	0.058	+120(14M-05)	JP Morgan Securities
STERLING	75	7.25	102.63	Jul 2005	0.425	+82(74M-05)	AIN Amro Horn Sovett
GenFinance Lux (L)	150	10.50	101.105	Dec 1997	1.125	-	SBC Werbung
GULDBERG	400	7.50	102.20	Nov 2002	1.875	-	Kreditbank
Abbey Nat Treasury Services							
DANBANK PHONON							
Sacab Overseas							

First terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. 2. Floating-rate note. 3. Fixed-rate note. 4. Floating-rate note. 5. Floating-rate note. 6. Floating-rate note. 7. Floating-rate note. 8. Floating-rate note. 9. Floating-rate note. 10. Floating-rate note. 11. Floating-rate note. 12. Floating-rate note. 13. Floating-rate note. 14. Floating-rate note. 15. Floating-rate note. 16. Floating-rate note. 17. Floating-rate note. 18. Floating-rate note. 19. Floating-rate note. 20. Floating-rate note. 21. Floating-rate note. 22. Floating-rate note. 23. Floating-rate note. 24. Floating-rate note. 25. Floating-rate note. 26. Floating-rate note. 27. Floating-rate note. 28. Floating-rate note. 29. Floating-rate note. 30. Floating-rate note. 31. Floating-rate note. 32. Floating-rate note. 33. Floating-rate note. 34. Floating-rate note. 35. Floating-rate note. 36. Floating-rate note. 37. Floating-rate note. 38. 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## CURRENCIES AND MONEY

## MARKETS REPORT

## Dollar ambles sideways in holiday atmosphere

By Philip Gawth

With markets shut in the US for Thanksgiving Day, and also in Japan, foreign exchanges were yesterday consigned to a day of very quiet trading.

The main currencies continued to move in the fairly narrow ranges that have characterised recent trading sessions, with markets generally bereft of any inspiration to provide fresh trading direction.

The next event with the potential to break this torpor is the Bundesbank council meeting next Thursday. Many observers believe there is a reasonable chance that the Bundesbank will cut its official rates.

The dollar ambled sideways to finish in London at DM1.4186, from DM1.4085. Against the yen it finished at ¥100.655, at ¥101.03.

Sterling continued its steady rally of the historic lows reached last week. Against the D-Mark it closed at DM2.9093,

from DM2.991. Against the dollar it closed at \$1.5628, from \$1.5613. The trade weighted index closed at 83.1, up from 82.8, and the low of 82.2 reached earlier this week.

In Europe the D-Mark was slightly weaker against most other currencies. It also lost ground against the yen, which finished at ¥171.21, from ¥171.71.

Christmas always seems to come earlier in the foreign exchanges, and this year is no different. Traders were yesterday supplanting each other to describe the slow pace of activity. Mr Mike Gallagher of IDEIA, the financial markets consultancy, said: "It is a Christmas eve."

Mr Alan Collins, senior manager corporate treasury at Mer-

its Bank in London, told Reuters: "You'd find it amazing how little is going through...Apology rules."

Mr Gallagher said the most recent market survey conducted by IDEIA showed opinions about future trends to be closely bunched around current spot prices. There was an absence of strong conviction about the trading outlook.

One useful tidbit was that both interbank traders and corporate/institutional investors were found to be slightly underweight sterling ahead of the budget next week.

Mr Gallagher said: "This reflects recent selling on fears that the budget will contain some sort of policy stimulation that will lack credibility." He said he believed these fears could well prove to be unnecessary. "The market has focused too much on tax cuts and too little on spending restraint."

Commenting on the dollar, Mr Chris Turner, currency strategist at BZW in London

was the only leading economy where rate cuts were not under discussion, and this could bolster it in the short term.

Two European currencies which have performed well recently are the Swedish krona and the peseta. The krona has recovered to SEK4.62 against the D-Mark, from a low of SEK4.43 in April, while the peseta has been steady around the Ptas6 level, having sunk to Ptas5.15 in March.

The krona's rally has come on the back of an improved export performance, which has improved the current account position, and improved tax revenues. Domestic investors have also become more optimistic about the budget situation.

"There has been a big re-rating of the Swedish fundamentals, helped by the obvious desire of the central bank to see a stronger currency," said Mr Turner.

The central bank has made clear that it would prefer to

combat inflationary pressures with a stronger currency, rather than through higher interest rates, especially given that exports are strong, while domestic demand is soft.

The peseta, meanwhile, is a potential beneficiary of the renewed focus on the Maastricht criteria. Spain is seen as having an outside chance of meeting all of the criteria, and this is prompting a re-rating. "It is the dark horse of EMU," said Mr Gallagher.

The Bank of England provided £720m assistance towards clearing a £700m daily market shortage. Futures markets continue to discount a 50 basis point cut in interest rates by next March.

Other currencies

Nov 23  
Dollars 100 = 100.655  
Yen 100 = 101.03  
D-Mark 100 = 83.1  
Sterling 100 = 127.91  
Swiss Franc 100 = 148.35  
Italian Lira 100 = 1,936.27  
Japanese Yen 100 = 101.03  
Australian Dollar 100 = 74.50  
New Zealand Dollar 100 = 67.50  
South African Rand 100 = 14.50  
Hong Kong Dollar 100 = 7.80  
Singapore Dollar 100 = 1.35  
Malaysian Ringgit 100 = 2.35  
Indonesian Rupiah 100 = 1,500.00  
Thai Baht 100 = 5.50  
Philippine Peso 100 = 48.00  
Vietnamese Dong 100 = 2,000.00  
Brazilian Real 100 = 2,000.00  
Argentine Peso 100 = 1,000.00  
Chilean Peso 100 = 800.00  
Colombian Peso 100 = 1,000.00  
Czech Koruna 100 = 20.00  
Danish Krone 100 = 6.56  
Finnish Markka 100 = 5.94  
French Franc 100 = 6.55  
German D-Mark 100 = 1.00  
Greek Drachma 100 = 200.00  
Hungarian Forint 100 = 200.00  
Irish Punt 100 = 7.88  
Israeli Sheqel 100 = 1.80  
Japanese Yen 100 = 101.03  
Korean Won 100 = 180.00  
Lithuanian Litas 100 = 20.00  
Luxembourg Franc 100 = 6.55  
Malaysian Ringgit 100 = 2.35  
Mexican Peso 100 = 16.67  
Moroccan Dirham 100 = 20.00  
New Zealand Dollar 100 = 67.50  
Norwegian Krone 100 = 4.76  
Omani Rial 100 = 20.00  
Panamanian Balboa 100 = 1.00  
Paraguayan Guaraní 100 = 200.00  
Peruvian Sol 100 = 3.40  
Portuguese Escudo 100 = 200.00  
Romanian Leu 100 = 10.00  
Russian Ruble 100 = 6.55  
Saudi Riyal 100 = 3.75  
Singapore Dollar 100 = 1.35  
South African Rand 100 = 14.50  
South Korean Won 100 = 180.00  
Spanish Peseta 100 = 166.67  
Swedish Krona 100 = 4.62  
Swiss Franc 100 = 148.35  
Taiwan Dollar 100 = 35.00  
Tanzanian Shilling 100 = 200.00  
Thai Baht 100 = 5.50  
Tunisian Dinar 100 = 10.00  
Turkish Lira 100 = 1.80  
Ugandan Shilling 100 = 200.00  
United Arab Emirates Dirham 100 = 3.67  
United Kingdom Pound 100 = 1.00  
United States Dollar 100 = 1.00  
Uruguayan Peso 100 = 200.00  
Vietnamese Dong 100 = 2,000.00  
Zimbabwean Dollar 100 = 10.00

## POUND SPOT FORWARD AGAINST THE POUND

Nov 23	Closing mid-price	Change on day	30 days	60 days	90 days	12 months	18 months	24 months	36 months	48 months	60 months
Europe	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8	
Australia	(A\$)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Belgium	(Bfr)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Canada	(Cdn)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Denmark	(DKr)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
France	(FFr)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Germany	(DM)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Greece	(Dr)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Italy	(Lit)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Japan	(Yen)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Netherlands	(Gld)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Norway	(Nkr)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Portugal	(Esc)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Spain	(Ptas)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Sweden	(Kron)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Switzerland	(Sfr)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
UK	(£)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
USA	(\$)	15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8
Other		15.5446	+0.0712	351 - 541	15.5502	15.4734	15.5142	2.3	15.4556	2.3	100.8

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 23	Closing mid-price	Change on day	30 days	60 days	90 days	12 months	18 months	24 months	36 months	48 months	60 months
Europe	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8	
Australia	(A\$)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Belgium	(Bfr)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Canada	(Cdn)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Denmark	(DKr)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
France	(FFr)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Germany	(DM)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Greece	(Dr)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Italy	(Lit)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Japan	(Yen)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Netherlands	(Gld)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Norway	(Nkr)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Portugal	(Esc)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Spain	(Ptas)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Sweden	(Kron)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Switzerland	(Sfr)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
UK	(£)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
USA	(\$)	100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8
Other		100.655	+0.0712	351 - 541	100.655	100.655	100.655	2.3	100.655	2.3	100.8

## CROSS RATES AND DERIVATIVES

## EXCHANGE CROSS RATES

Nov 23	BRT	WNL	TVT	Ubu
Belgium (BF)	10.0	18.85	17.77	4.86
Denmark (DK)	50.04	10.0	8.943	2.98
France (FR)	23.54	11.24	11.24	2.98
Germany (DE)	20.54	3.875	3.845	2.98
Italy (I)	46.78	8.821	7.944	2.22
Netherlands (NL)	1.823	0.944	0.906	0.000
Norway (NO)	18.34	3.458	3.076	2.88
Portugal (PT)	46.82	6.789	7.718	0.98
Spain (ES)	16.65	3.708	3.932	2.98
Sweden (SE)	4.598	0.906	0.906	0.000
Switzerland (SF)	44.45	8.980	4.022	1.18
UK (GB)	45.48	4.804	4.272	1.24
USA (US)	23.98	5.589	7.609	2.88
Canada (CA)	21.03	5.589	5.589	1.04
China (CN)	29.03	5.474	4.888	1.41
Japan (JP)	26.03	4.858	4.857	1.41
South Korea (KR)	37.75	7.118	6.350	1.81







**LEISURE & HOTELS - Cont****OTHER FINANCIAL - Cont.****PROPERTY - Cont.**

### SUPPORT SERVICES - Cont

**ANN - Cont.**[illegible]

Anglo Am Ind. .... Mo  
Baird .....  
Gold Fields Prop R. ....  
BHP Group .....  
SASOL .....  
SA Brews .....  
Standard Bank .....  
Tiger Data .....  
Tompkins-Hale .....  
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**GUIDE TO**

Prices for the London  
Financial Times 100  
Company classification  
Share indices.

Dividend mid-prices  
are based on

Where stocks are  
indicated are

Symbols referring  
guide to yields and  
on Monday.

Market capitalization  
quoted.

Earnings used in

Price-earnings ratio  
where possible, as

Yields are based on  
of 25 per cent

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Where stocks are denominated in currencies other than sterling, this is indicated by the currency symbol.

Symbols relating to dividend status appear in the notes column as follows:  $\nabla$  yields to yield and P/E ratios. Dividends and dividend covers are published on Monday.

Market capitalisation shown is calculated sequentially for each line of stock.

Earnings used in calculations are based on I&M Financials Earnings/Investment.

Price/earnings ratios are based on latest annual reports and accounts and where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax rate of 25 per cent and after their value of reflected distribution and other costs.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in cents per share, along with the percentage discounts (Dis) or premiums (Pre) to the current closing share price. The NAV basis assumes prior charges of per share, convertible converted and warrants exercised &

[illegible]

a Yield based on annualized dividend  
b Figure based on prospectus or other official estimates  
c Assumed dividend yield after rights issue  
d Assumed dividend yield after rights issue  
e ACT guidelines  
f Dividend yield includes a special payment  
g Yield based on prospectus or other official estimates for 1994-95  
h Assumed yield after assumed strip, no other  
1995-96  
i Forecast average yield, p/e based on prospectus or other official estimates  
W Pm basis figure  
Z Dividend yield to date

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## LONDON STOCK EXCHANGE

## MARKET REPORT

## MMC reference triggers late sell-off in equities

By Steve Thompson, UK Stock Market Editor

The UK equity market, already under pressure, suffered a severe blow at the end of the trading session with news that Mr Ian Lang, the trade and industry secretary, had referred takeover bids from the two English generators, National Power and PowerGen, for Southern and Midlands Electricity on competition grounds.

The news triggered a sharp sell-off across the electricity distribution stocks and the generators, and dragged the rest of the stock market down.

Some utilities specialists said that

the referral of the generators' bids for the two rees might induce utilities groups to bid for the two stocks. At the end of the session, the FT-SE 100 index, which includes the two generators as well as Southern and Midlands Electricity, was 29.9 lower at 3,602.5. The FT-SE Mid 250 index, which is packed with electricity stocks, also fell sharply, settling 15.3 down at 3,934.0.

The referral was not the only news in the utilities sector. At the outset of trading, Lyonnaise des Eaux, the French utilities company, finally launched its long-awaited

offer for Northumbrian Water, the first bid for a water group. The terms of the offer, agreed by the Northumbrian board, saw the latter's shares race higher. The other substantial news in the sector came from North West Water, whose interim numbers topped most forecasts.

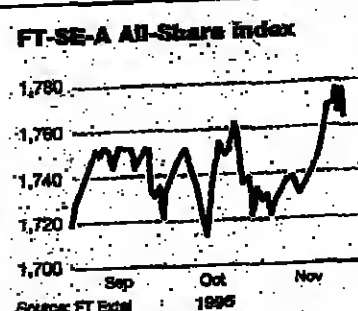
The day's drama was not exclusive to the utilities area. SBC Warburg, the securities house, launched a "dawn raid" on Amec, the construction and civil engineering group, snapping up a 10 per cent stake on behalf of Kvaerner, the Norwegian company. This triggered strong suggestions that a tussle for control of the UK group was under

way. Earlier this week there were strong rumours of a merger between Amec and McAlpine, another UK construction group.

And there was no shortage of market moving stories elsewhere. British Gas rose against the trend after Mr Tim Eggar, energy minister, said North Sea producers should renegotiate their gas supply contracts with British Gas, a move interpreted by analysts as helping to get Gas "off the hook" from the loss-making contracts.

Other upside stories capturing the limelight included a strong rise in Legal & General, the insurance group, where talk of takeover moves revived. Shareholders featured

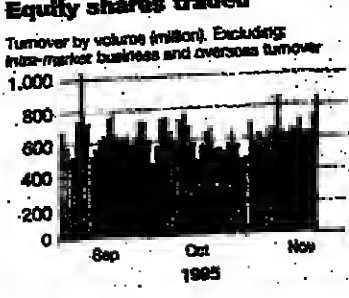
with excellent interim figures. Vodafone topped the FT-SE 100 performance league, rallying after recent selling from the US, while BT fell away amid hints of switching into other European telecoms.



Indices and ratios

Index	Value	Change
FT-SE 100	3602.5	-29.9
FT-SE Mid 250	3934.0	-15.3
FT-SE-A 350	1784.38	-13.1
FT-SE-A All-Share	1784.38	-12.22
FT-SE-A All-Share yield	3.83	(3.80)

## Equity shares traded



Index	Value	Change
FT Ordinary index	2630.2	-17.8
FT-SE-A Non First p/e	16.47	(16.59)
FT-SE 100 P/E Dec	3610.0	-34.0
10 yr gilt yield	7.69	(7.70)
Long gilts yield ratio	2.07	(2.10)

## Utilities under pressure

News that the trade and industry secretary is to refer the bids by National Power and PowerGen for Southern Electricity and Midlands to the Monopolies and Mergers Commission sent regional electricity stocks plunging and also the market lower.

The late afternoon announcement was a shock to a sector that had expected the bids not to be referred.

The news brought a sharp decline in the stocks, with the biggest fall seen in Southern Electricity. Having dropped to a low of 900p, the shares steadied to finish 62 down at 913p after trade of 1.9m. Midlands was another stock that declined by more than 6 per cent, closing 59 off at 913p. PowerGen ended the session 21 cheaper at 540p, while National Power surrendered 16 to 478p.

One story doing the rounds is that the government move is a signal of its wish to see some rees remain independent, and one sector specialist said: "I cannot see why the government is doing this now, it must be political."

Several analysts pointed out that NatPower and PowerGen were keen to win control of the two rees. Mr Angelos Anastasiou at Panmure Gordon said: "This decision throws uncertainty into the marketplace for the next few months, but I do not see the two bidders walking away."

## Inchape worries

Rumours that international trading group Inchape was preparing to make a statement to shareholders last week sent the market reeling.

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The broker picked up 10 per cent of the company and the shares surged 17 to 96p in 34m traded. Late yesterday Kvaerner, a shipbuilding and energy business, claimed to control 13 per cent of Amec.

Amec, which is said to have an enviable operating reputation and strong road building and deep-sea rig expertise, is capitalised at £200m. Its name has recently been linked to Alfred McAlpine. The two groups are in the same roads consortium.

French construction giant Bouygues was put forward by some analysts as a potential suitor, but from the outset Kvaerner was the hottest tip. The Norwegian group recently announced plans to move its sub-sea operations centre from Oslo to London.

The Amec move was seen by analysts as further evidence of consolidation among building related stocks. Taylors Wood

row gained 7% at 1144p. The poor sentiment in the rees took the shine off a water sector that was celebrating the first bid for one of its number and favourable figures from another.

Northumbrian jumped 35 to 1138p after French group Lyonnaise des Eaux finally made its long awaited offer for the UK company. The £262m bid values each Northumbrian share at 1179p, of which 1165p is in cash and 14p is a special dividend.

Ms Angela Whelan at Credit Lyonnais said: "The board of Northumbrian has done well for its shareholders, but this is unlikely to lead to a frenzy of bids in the sector as there are fewer potential bidders for water companies."

North West, which reported a sharp increase in both interim profits and this dividend, was among the few stocks in the sector that moved

forward. The shares appreciated 4 to 805p. Multimedia group Doring Kindersley moved ahead strongly, after the 17.9 per cent stake previously owned by Microsoft was placed with institutions by Goldman Sachs and Cazenove at 507p. The shares closed 24 higher at 823p in 21m traded.

Paper and foils group API rose 15 to 537p after recent presentations to institutions. British Gas was actively traded following Wednesday's speech by Mr Tim Eggar, the UK energy minister. The share fell 15 to 577p on the speculation and general profit-taking in the sector.

Analysts interpreted the latest government comments on Gas's problems over North Sea supply contracts - the group has long term commitments to pay up to 20p a therm for gas that has an open market price of less than 15p - as mildly positive.

"The government is seemingly determined to get some sort of deal under way and stop Gas's difficulties from washing over on to the consumer. But there is still a long way to go," said one sector watcher.

Leading diversified Industrial BTR came off 5 to 327p in spite of persistent talk of a significant disposal by the group. New chief executive Mr Ian Strachan takes up the reins on January 1, and some brokers are betting on a £300m share repurchase plan early in the year.

Powell Duffryn was undisturbed by the takeover among FT-SE Mid 250 stocks, plunging 74 to 480p as analysts reacted to the group's dire interim results with savage downgrades. Kleinwort Benson cut back by 56p to £44m for this year. The broker felt that a maintained 25p dividend looked safe enough, but it

remained a seller and predicted further share price weakness. In retailers, analysts moved to upgrade full-year profits expectations at Storehouse after the group reported a sparkling set of interim figures. The shares put on 10 to 832p in trade of 2m. BZW was said to have raised its forecast by 55m to £111m.

In insurance stocks, life group Legal & General was the subject of bid talk, with National Westminster mentioned as its likely suitor. L&G gained 11 to 706p, and NatWest fell 15 to 577p on the speculation and general profit-taking in the sector.

Bid whispers were also heard in Commercial Union, which moved forward 8 to 643p.

MARKET REPORTERS: Jeff Kibben, Joelly Brown.

## FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFE) £25 per full index point (AFT)

Month	Open	Settle	Change	High	Low	Est. vol	Open	Settle
Dec	3643.0	3610.0	-33.0	3643.0	3605.0	5888	64944	64944
Jan	3663.0	3630.0	-33.0	3663.0	3625.0	685	8071	8071
Mar	3683.0	3650.0	-33.0	3683.0	3645.0	0	0	0

FT-SE MID 250 INDEX FUTURES (LIFE) £10 per full index point

Month	Open	Settle	Change	High	Low	Est. vol	Open	Settle
Dec	3960.0	3934.0	-26.0	3960.0	3926.0	0	3200	3200
Jan	3980.0	3950.0	-30.0	3980.0	3946.0	0	0	0

FT-SE 100 INDEX OPTION (LIFE) £25 per full index point

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FT-SE MID 250 INDEX OPTION (LIFE) £10 per full index point

Month	Open	Settle	Change	High	Low	Est. vol	Open	Settle
Dec	3960.0	3934.0	-2					



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WORLD STOCK MARKETS																								
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**Mark Nicholson** reports on the market's four-week slide that has defied good economic fundamentals and strong corporate results

**KARACHI** hit another low for the year on news of the killing of the brother of the Sindh province chief minister and two other people in an ambush and a bomb blast.

The KSE 100-share index declined 8.52 to 1,411.81.



## RECRUITMENT

## JOBS: Technology and cost savings are driving changes in office employment patterns

## Pulling the plugs on the way we work

There was something missing at a conference and exhibition of office furniture in London this week. The desks and cabinets were completely devoid of clutter. Most of the exhibition stands were presenting a picture of paperless Utopia.

Something else was missing, too, among the majority of exhibitors: any obvious appreciation that office work may now be moving out of its traditional environment.

Given that the title of the event was Workplace '95, Professor Franklin Becker of Cornell University thought that there had been a missed opportunity. Becker, a psychologist and workspace specialist, who was speaking at the event, said: "All the assumptions around here are that work occurs only in the office and not in other environments such as in supermarkets, on trains and at airports."

It would be unfair to suggest, however, that the exhibitors were not aware of trends towards greater use of home working or working outside the traditional workplace. Colin Watson, marketing director of Proline, a UK-based and Danish-owned manufacturer of office furniture, quoted figures of 1.2m teleworkers in the UK at present, and

rising, according to some estimates, to 2m by the year 2000. "That still leaves between 10m or 11m people still working in offices," he said.

The market for office furniture, therefore, is not going to disappear but it is changing. The biggest driver for change, as is often the case, appears to be cost. Watson says that £1.5bn a year is spent in the UK alone simply moving people and equipment around in offices. This figure - what the manufacturers call "churn" - works out at about £500 per employee. Among companies which have just moved to new offices, he says, the churn tends to be more like £2,000 a person within the first 12 months as people and departments are shuffled around until management believes it has got the arrangement right.

Some of the more forward looking furniture manufacturers and office designers, therefore, are attempting to create furniture that will give companies the flexibility to alter their office interiors without embarking upon costly refitting exercises.

President believes that its Kyo range of mobile office furniture is able to provide the flexibility for change without the upheaval that is usually necessary. Part of the secret is the neatness of the system it has designed to deliver cabling to desktop terminals and telephones. Its bean-shaped desks are able to congregate around service columns sprouting from the floor like multi-socketed mushrooms.

Some companies are going even further. Morgan Lovell has developed a cordless office using Ericsson telecommunications technology and Hewlett-Packard laptop computers. Again the technology is providing potential cost savings. A false floor, including its accompanying cabling and sockets, can cost up to £80 a square foot.

Philip Ross, Morgan Lovell's marketing director, thinks that cordless technology will not do away with cabling, which will still be needed for large data transfers, lighting and power points for recharging batteries. But it will be possible in cordless offices to arrange cables so that they run down the spine of a

building and not under floors.

Such arrangements combined with flexible working patterns are enabling companies to make large savings. Ross said that his company, working with one of the City banks, had found ways of reducing a perceived need for 10,000 sq ft new office space to 7,000 sq ft. "At annual rents of £30 per square foot we are looking at a £500,000 saving over the 10-year lease," he said.

While these technologies are helping to drive changes in working arrangements, it is becoming clear that the economies they can bring are proving powerful additional stimuli.

## Companies in revolt

Gary Hamel, the California-based visiting professor at London Business School, has, like many management gurus, thrown himself into the scramble for corporate dominance in emerging industries and markets.

Hamel is among those management theorists who are beginning to cast doubts on the way that much

corporate re-engineering has been applied in the past few years. Many employees have viewed it as a new way of creating redundancies, he says, suggesting that some companies have become like catwalk models in fashion shows. They have developed "corporate anorexia" in the belief that this is the way they should look. Much of the re-engineering, says Hamel, has enabled companies merely to catch up instead of putting companies at the forefront of their industries as "architects of industry transformation".

British companies are supposed to be the most competitive in Europe, but they have high levels of employee anxiety and disengagement. Is that the price we have to pay? he asks.

Speaking at Hay Management Consultants' annual conference in Paris recently, he portrayed a world of corporate laggards being overtaken by pioneering enterprises willing to challenge orthodoxies. These challengers, what he calls "rule-breakers", are populated by the likes of Cannon, Wal-Mart,

Microsoft, IKEA, Virgin, Body Shop and First Direct.

The question he is finding difficult to answer, however, is how many of today's more traditional companies can do the same. To do so, he argues, the leaders of these companies will need to invest themselves of much of their "intellectual capital"; they will need to tap the imagination of their younger employees who often have the ability, unlike their most senior managers, to "think differently". This different thinking, he says, can also be found at the geographical periphery of an organisation where company rules tend to be less restrictive.

So where do you start a revolution in a company? Will it happen in the boardroom? How many company chiefs are prepared to risk their own jobs or to incorporate young managers into defining strategic direction in order to transform their businesses? This is the institutional difficulty of starting a revolution from the top down.

Hamel is not too optimistic about such a prospect. "In 10 years of vis-

iting the UK, I have never seen the Queen standing in front of Buckingham Palace saying we want a republic. I never will," he says.

His views may be difficult for many company directors to stomach, but they reflect a growing disenchantment among management observers at the human waste in some corporate restructuring programmes.

The gurus may have to shoulder some of the blame because it is often they who influence the latest management thinking.

Hamel's picture of laggards and challengers extends to today's corporate champions. He says he is willing to bet that in 10 years time Microsoft will have handed over its leadership in the software industry. Perhaps it is inevitable that industry leaders must, in time, give way to others.

One of the things that Hamel and his fellow gurus are searching for is a key to sustained success. Even if they find it, they will need to persuade managements of its use. Human nature can prove a formidable obstacle.

Richard Donkin

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■ Develop and maintain FX and currency management systems.  
■ Liaise closely with operating units in respect of liquidity and debt management.  
■ Lead new initiatives in electronic payment systems and information exchange.

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■ 5 years' plus significant experience of large, systems based international treasury operations.  
■ In-depth knowledge of currency and FX management techniques.  
■ High degree of systems literacy combined with the ability to quickly grasp the treasury needs of the business.

### CASH MANAGER (ref: 5207/E)

#### The Position

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■ Cover for the Treasury Operations Manager when required.  
■ Act as Dealer to execute key transactions in the FX and money markets.

#### The Requirements

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## STRUCTURED SOLUTIONS ANALYST

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HSBC Asset Management is the global investment management business of the HSBC Group, one of the world's largest financial services organisations. With global funds under management exceeding US\$30 billion, we offer a full spectrum of investment products for institutional and retail clients.

We are now expanding our Tactical Investment Unit and wish to recruit a Structured Solutions Analyst. The primary responsibilities will be to assist in the control of our asset allocation using futures and options initiatives and also in supporting the product structuring activity for our UK and European retail business.

Key features of this task will be to monitor and support the approval process for asset allocation using derivatives; execute transactions for European based institutional

accounts; and ensure compliance with limits and reporting requirements.

You will possess a PhD level qualification in engineering, physics or a similar discipline, coupled with a proven track record of success in risk management using derivatives. First class verbal and written communications skills will be coupled with a strong desire to move into a front end role in what is a highly competitive financial business environment.

If you meet, and indeed exceed our extremely high expectations, we will offer you the sort of rewards package you would expect from a world leader in financial services.

Please write enclosing a comprehensive C.V. and details of your current remuneration package to Michelle Goulet, HSBC Asset Management Limited, 6 Bevis Marks, London EC3A 7QP.

**HSBC Asset Management Limited**

Member HSBC Group

## EMERGING MARKETS



## SEARCH & SELECTION

Our client, a London-based international securities division of a leading Latin American banking group with responsibility for new issuance and sales of Emerging Market instruments, wishes to make the following appointments.

### FIXED INCOME ORIGINATION

The individual will be able to demonstrate a track record in fixed income origination and execution plus the ability to generate and structure Eurobond issues on behalf of corporate clients. Previous exposure to the highest echelons of top tier Brazilian companies and to the Eurobond markets is essential. The role will involve working closely with both the traders in the London-based operation and the Corporate Finance teams in the parent company. Fluency in both (Brazilian) Portuguese and English is essential.

### FIXED INCOME SALES

The objective will be to leverage the undoubted strength of the parent organisation in Brazil and further enhance its international distribution of fixed income products. This role will be of particular interest to applicants with a track record of sales success and a mature institutional client base with potential for further growth. An in-depth exposure to Latin American markets is a definite advantage.

The successful candidates will work in a collegiate, team driven, consensual environment, but will need to demonstrate the dedication and ambition to succeed in what is an intensely competitive global environment. The attractive compensation packages will be geared to results.

In the first instance please send your CV, in complete confidence to: William Dudok de Wit, Emerging Markets Search & Selection, 12 Masons Avenue, London EC2N 3BT. Telephone: 0171 600 4744. Facsimile: 0171 600 4717.

## CHIEF EXECUTIVE CWS LIMITED

David Skinner, Chief Executive of the Co-operative Wholesale Society Limited (CWS), is due to retire in autumn 1996. The CWS Board is in the process of identifying his successor.

CWS is the main supplier of goods and services, including 4,500 Co-op Brand products, to co-operative retail societies.

CWS is the largest co-operative retailer in Europe and operates almost 800 shops, including supermarkets, department stores, supermarkets and convenience stores, in a number of regions throughout the UK. CWS also operates funeral services, travel agencies, optical practices, garages and milk rounds. Total annual sales from these retail businesses exceeds £2 billion and accounts for around 30 per cent of all co-operative retail trade.

As well as substantial Milk processing, Property and Farming interests, the CWS owns all the ordinary shares in The Co-operative Bank plc, and the Co-operative Insurance Society Ltd.

Total sales exceeded £3.1 billion in 1994 and around 39,000 people are employed within the CWS and its group subsidiaries.

Candidates will need to demonstrate a record of sustained achievement in their careers to date; the ability to lead an organisation of the size and diversity of the CWS; and the skills necessary to guide it successfully in its important relationships with other co-operative societies.

Those seriously interested who believe they have the qualities required should please write - in complete confidence - with a CV to: G. L. Fyfe, Chairman, Co-operative Wholesale Society Limited, c/o Hay Management Consultants, Sovereign House, 12-18 Queen Street, Manchester M2 5HS.



**The Top Opportunities Section  
For Senior Management Appointments**  
For advertising information call:  
**Toby Finden-Crofts +44 0171 873 4027**

## Senior Funds Administrators

J.P. Morgan Investment Management Inc. (JPMIM) in London is the international investment arm of J.P. Morgan & Co. Incorporated. With \$157 billion under management, it is one of the premier investment management houses in the world. These assets are managed in a wide range of funds, domiciled throughout Europe, which invest in various financial instruments including US and international equities, bonds, money market and derivative instruments.

JPMIM is looking to expand its Funds Administration team in London by recruiting three Senior Funds Administrators. These appointments will play an important role providing essential support from a financial accounting, tax, regulatory and fiduciary perspective.

Fund administrators will be responsible for the following:

- Overseeing of daily fund operations, primarily externally produced Net Asset Value calculations
- Development and maintenance of control procedures
- Monitoring of accounting and tax policies relating to new and existing funds
- Drafting of financial and regulatory statements
- Preparation of fund expense budgets, financial analysis and MIS reporting
- Planning fund dividend distribution

Candidates should have three years funds administration experience with a 'big 6' accountancy firm, a unit or master trust accounting service provider, or an investment management company.

Educated preferably to degree level or with an equivalent accountancy qualification, candidates should be self-motivated and possess excellent interpersonal skills. PC skills are important, with the ability to speak European languages other than English an advantage.

These positions offer a generous salary plus benefits package and excellent career prospects within one of the leading international banks.

J.P. Morgan Investment Management Inc. is an equal opportunity employer.

Interested applicants should write with their CV, in confidence, quoting reference no. P30103 to Helen Higher at Jonathan Wren & Co. Ltd., No.1 New Street, London EC2M 4TP. Tel. 0171-623-1266 Fax: 0171-626-5257

**JPMorgan**

## European Investment Bank - PARIS SENIOR BOND SALES Paris based

### Our Client :

■ Well established European investment bank active in government bonds primary dealing

### The Position :

■ Senior government bonds sales to European investors and Central Banks  
■ Manage a 5 salesmen team and lead sales effort  
■ Develop a business and sales plan

### The Person :

■ University graduate, aged 30-35  
■ Experienced bond salesman with a well-developed clientele base either in the UK or in Germany or with Central Banks  
■ Fluent in English, French and German  
■ Entrepreneurial behaviour and proven management skills

The highly competitive remuneration package will be tailored to suit the right candidate.

Please reply with full details to Danielle ELLOUEIS.

**COR'EX**  
CORPORATE RECRUITMENT

11, Avenue Myron Herrick - 75008 Paris



مكتبة الامارات

This is a superb opportunity to join one of the premier venture capital funds management organisations which is well known for leading large transactions including management buy-outs and buy-ins, funds for expansion and refinancings. It has an international network and substantial investment and underwriting resource which enable it to be a leading participant and provider of private equity finance in its chosen markets.

Based in London, the positions involve working closely with other team members analysing, executing and monitoring substantial UK equity investment opportunities of unquoted companies across a variety of sectors. There is a requirement for two mature individuals with strong interpersonal skills who have the following background:

At least a 2:1 degree and an MBA with up to three years in a leading international firm of strategic consultants and/or M&A experience in a leading investment/merchant bank. Experience of advising and influencing the strategies of a wide range of international businesses and institutions, together with a highly numerate and financial bias is essential.

At least a 2:1 degree and an ACA with up to two years post qualification experience in the corporate finance or insolvency department of a "Big Six" firm. Specific experience of MBOs and MBIs is required as is a basic knowledge of leveraged structures and company valuation models.

A career in venture capital is stimulating, demanding and for outstanding candidates, provides rapid career progression. The remuneration package will be commensurate with experience, background and includes all the benefits associated with a leading financial services organisation. For further information in the strictest confidence, contact Raj Munde on 0171 240 1040. Alternatively, send your résumé quoting reference number 1986/09 to Morgan & Banks PLC, Brettenham House, Lancaster Place, London WC2E 7EN. Fax No: 0171 240 1052.

**Morgan & Banks**  
INTERNATIONAL

## Senior Marketing Officer to Russian Banks

Competitive Salary & Full Banking Benefits

Moscow Narodny is a Russian owned British Bank based in the City of London for over 75 years.

We are now expanding our operations to take advantage of new business opportunities.

We are looking for a correspondent banker to travel extensively to Russia and the CIS to build and consolidate relationships with existing and emerging banks in these countries.

Successful candidates will have a minimum of eight years banking experience including current experience in marketing to Russia and the former Republics.

There is a considerable opportunity for a self motivated individual to make a significant contribution as part of a growing team.

Fluency in the Russian language is essential. If you feel that you have the necessary qualifications, please write, enclosing a full C.V. and outlining present salary, to John Glover, Assistant General Manager - Human Resources, Moscow Narodny Bank Limited, 81 King William Street, London EC4P 4JS.

**Moscow Narodny Bank Limited**

## REPO/MONEY MARKET TRADER

Salomon Brothers, one of the world's leading international investment businesses, wishes to recruit a Repo/Money Market Trader to join its existing team.

Responsibilities will include managing continental collateral books, developing customer relationships and providing back-up for other collateral trading activities.

Educated to degree level, you must be able to show well-developed interpersonal and analytical skills. In addition, you must be fluent in at least one European language other than English - ideally Italian. Relevant experience is necessary.

To apply, please send a full cv and covering letter, indicating your suitability, to Sara Callister Radcliffe, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB.

**Salomon Brothers**

## RISK MANAGEMENT EXECUTIVE

EXCELLENT PACKAGE: LONDON

BP Finance, the entity responsible for the financial management of the BP Group, has a vacancy in its Risk Management Team.

The Team provides financial risk management support to the BP Group and its business activities, and combines an analytical function with a detailed knowledge of the financial markets and their products. The position offers the opportunity for the successful candidate to participate in the risk management of a diverse portfolio of exposures in both the mature and developing/emerging markets.

### DUTIES

The breadth of duties will depend on the nature and scope of experience of the appointee, but he or she would be expected to work as part of a team on the following:

- Analysis of a variety of financial-based opportunities e.g. debt management and foreign exchange exposure management, from both a risk and value perspective.
- Investigation of emerging financial markets, and their impact on the expansion of BP's business in these countries.
- Evaluation of new trading instruments, and their pricing/risk analysis.

### CANDIDATE

- Two to five years' experience in the risk management function of a bank or significant multinational corporate.
- Excellent degree in either a strongly numerate discipline or business finance.
- Specific knowledge of the working of the financial markets would be a distinct advantage.
- A proactive approach and excellent communication skills are essential.

PACKAGE - We offer an attractive and competitive package, including performance-related bonus and non-contributory pension plans.

Please address your application in writing, enclosing a detailed CV, to:

Steve Powell,  
Human Resources Manager,  
BP Finance,  
The British Petroleum Company p.l.c.,  
Britannic House, 1, Finsbury Circus,  
London EC2M 7BA

BP is an Equal Opportunity Employer.

## THE EUROPEAN COMMISSION

### PRINCIPAL ADMINISTRATORS

Competitions COM/A/955, 956 and 957 (Official Journals C 258 A of 3.10.95 and C 259 A of 4.10.95)

The closing date of these competitions is prolonged until 8 December 1995.

### DIRECTOR OF CORPORATE COMMUNICATIONS/PR.

German, is looking for new challenges as head of communications/PR in a forward-looking, internationally operating company. Currently Director of Corporate Communications/PR in a multinational conglomerate headquartered in Germany. Mid-thirties, married. Fluent English/Spanish; close contacts in leading German and international media and political circles. Extensive experience in national and international image strategies.

Please write to Box A5805, Financial Times, One Southwark Bridge, London SE1 9HL.

### INSTITUTIONAL EQUITY SALES BROKER/PRINCIPAL

Parisian boutique investment firm seeks individual/active book for American secondary offerings in Europe; aggressive sales team; excellent opportunity, progressive environment; English mother tongue; second language/knowledge of interactive media/online services sector suggested.

Fax: (33-1) 42-71-74-60

### Trade Finance

Portuguese/Spanish Speaking £30-45k AAE

We are a private commercial bank with a well established international branch network covering Latin, North America & Europe.

We are seeking to appoint a manager to service an existing portfolio & to develop new business with European multinationals involved in Latin American trade.

The successful candidate will have a minimum of 6 years experience in marketing bank trade products and fluency in one or both of the above languages, possibly as a native speaker, is essential.

Please apply to our recruitment advisors at Finsbury Consulting Ltd, 16 City Road, London EC1Y 2AA. Tel: 0171-628 9421 Fax: 0171-256 9279.

**FINSBURY CONSULTING LIMITED**

### SENIOR CREDIT ANALYST - BOND MARKETS TO £70,000

An opportunity exists for an experienced credit analyst to work within the fixed income research department of a major investment bank. This demanding position will require you to provide sales and trading staff with on the spot advice on the credit issues affecting bond markets, as well as the provision of comprehensive analyses of major corporates and financial institutions.

The position will ask those analysts that want a more rigorous test of their credit expertise than is common in most credit research departments - bond markets can deliver swift judgement on the accuracy of your recommendations. Having developed your credit skills over a minimum of three years with a major bank or rating agency, you will be able to demonstrate confidence and decisiveness when making your assessments. You should also be able to present your ideas in a concise and persuasive manner. A knowledge of fixed income markets would be useful, but the most essential criterion is that you possess the mental rigour to succeed in this high pressure environment.

Call Tony Sheppard on 0171 600 2862

**AUSTEN SMYTH SEARCH AND SELECTION**  
127 Cheapside, London EC3V 6DH  
Tel: 0171 600 2862 Fax: 0171 726 4298

## BUSINESS DEVELOPMENT MANAGER

We are a business research house specialising in acquisition research and commercial due diligence. Our clients are multinationals, banks and venture capitalists - all of Director level. Your main task will be to build our client base, involving regular contact with existing and potential clients. You will be self motivated, persuasive, and analytical. Early success offers superb prospects.

Please send your CV to:

The Managing Director, Corporate Information Ltd., Swan Centre, Fishers Lane, London W4 1RX

## Investment Banking

## Media & Telecommunications Executive/Manager

London based

NatWest Markets is the worldwide corporate and investment banking arm of the NatWest Group and a major player in the global financial markets. Our products and services cover all aspects of trading, corporate and investment banking, asset management and specialist advice.

The Investment Banking Division is responsible for the primary marketing of the Group's major client relationships worldwide. Within this Division is a small team of specialists responsible for the marketing to clients in the Media and Telecommunications industry. Concentrating on deal origination and execution, the team of nine people, using their extensive specialist knowledge, seek to spot and create attractive opportunities to do business.

Our existing client base continues to expand globally, creating an opportunity to expand the team.

The closely knit team are now looking to recruit an Executive/Manager to help with this expansion and are seeking candidates with at least five years' experience in the telecoms market, some of which should have been with a US company in the sector. Previous experience in the financial arena

undertaking privatisation and strategic shareholder work would also be beneficial.

The ideal candidate is likely to be a graduate with an advanced degree in an appropriate business-related discipline. They should be highly quantitative, PC literate, including sophisticated modelling experience, and have a rigorous approach to their analysis in addition to being able to initiate the best business opportunities from a wide client base. Knowledge of a broad range of investment banking products would also be an advantage, but not essential. Your internal networking ability and talent for selling ideas will be crucial in delivering the solutions to your client's needs.

If you are a quick learner, able to establish a rapport with clients and feel you could harness the challenge of joining a team during a period of expansion, please write with your CV, to: Miss Freddy Balgarny, c/o Response Handling Service, Ref: 1195, Associates in Advertising, 5 St John's Lane, London EC1M 4BH. Closing date for applications: 20th December, 1995.

NatWest Markets is an equal opportunities employer.



**NATWEST MARKETS**  
Corporate & Investment Banking



## Schroders

### Emerging Markets Economist/Fund Manager

Schroder Investment Management Limited is one of the UK's most successful investment management groups with total funds under management exceeding £50 billion. Schroder Capital Management International (SCMI) is the subsidiary responsible for managing US Institutional funds and is one of the leading fund management firms in this market, with over £9 billion under management.

Due to its success in emerging markets, SCMI is seeking an economist to provide economic research on the emerging markets and to run country valuation models driven by economic inputs. The successful candidate will have an active involvement in meeting clients to review portfolios, in addition to making business presentations to prospective and existing clients. This position provides an excellent opportunity for a qualified economist to now combine theoretical economic research with a role in fund management in the emerging markets.

Prospective candidates are likely to be in their thirties and will have a good Economics degree, a least five years' relevant experience in the financial markets and possess a sound knowledge of economic factors in the emerging markets. Strong presentation skills are essential, as is the ability to work as part of a dynamic team. Extensive travel, mainly to the USA will be an integral feature of this role.

The compensation package reflects the quality of candidate required and includes a competitive salary, plus full banking benefits. Career prospects in the Schroder Group are excellent.

Application in writing, enclosing a full curriculum vitae, should be sent to: Helen Challis, Personnel Officer, Schroder Investment Management Limited, 120 Cheapside, London EC2V 6DS.



**HENRY ANSBACHER**

### South African Fixed Income Trader

An excellent opportunity to join the Treasury Division of a London-based Merchant Bank

**The Company**  
Henry Ansbacher & Co. Limited is a well established London-based merchant bank providing services in corporate finance, banking and treasury as well as trading in emerging market debt instruments and securities. It is a part of the First National Bank of Southern Africa Group, one of the largest commercial banking groups in Southern Africa.

**The Position**  
A high caliber trader is sought to join the Bank's Treasury Division in London. This position will primarily involve trading in South African Fixed Income products and related instruments. The successful applicant will contribute to the development and implementation of trading strategies and in the identification of profitable products and market niches. The role will also involve liaison with the parent's Treasury Division in Johannesburg.

### Qualifications

Requirements for this post include a two-to three-year track record of profitable trading in South African Fixed Income products, a minimum of five years' experience in treasury and capital markets as well as an established market presence and current SFA registration. A detailed knowledge of South African exchange control regulations is important.

An attractive salary and banking benefits are on offer. Interested parties should apply in writing, enclosing a curriculum vitae, to:

Mark Hoodless  
Personnel Manager  
Henry Ansbacher & Co. Limited  
One Mitre Square  
London EC3A 4AN  
Telephone: 0171 283 2500  
Facsimile: 0171 929 5315

**HENRY ANSBACHER & CO. LIMITED**  
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## APPOINTMENTS WANTED

**Int'l Business Corp. Counsel**  
I have 15+ yrs exp. in major int'l project negotiations, implementation and legal representation. Emphasis on Russia, CIS, W. Europe, U.S., Israel & Caribbean. I am willing to relocate.  
FAX: USA (908) 763-1551



## GLOBAL ASSET MANAGEMENT

GAM is a leading fund management company which has enjoyed spectacular growth since its inception in 1983. The Group has offices in most major financial centres around the world and manages approximately \$7 billion in assets. GAM has an exceptional performance record and an excellent reputation for the quality of its services. The positions offered require highly motivated and mature individuals able to operate successfully in an unbureaucratic structure. Both positions are based in London. Competitive compensation packages will be offered to attract candidates of the highest calibre.

### MANAGER, QUANTITATIVE SERVICES

This position heads up a small team providing statistical and quantitative analysis services to GAM. The successful candidate will have responsibility for all quantitative analysis and performance reporting within the Group, as well as the provision of accurate performance information to external bodies. Your team will support various business areas in performance measurement, manager selection and portfolio construction; you will be expected to advance the use of analytical techniques at GAM; coordinate the selection of appropriate tools and work closely with GAM's IT department to ensure the effective delivery of relevant technology to the business. You will

be totally conversant with all aspects of industry practice in the area of performance measurement, advise on the appropriate methods and ensure that relevant standards are maintained. The primary qualification is a minimum of five years direct experience of quantitative analysis in the investment management industry. You will probably be at least in your late 20's and will have a strong background in performance analysis as well as a degree in a relevant discipline. You will be expected to be versatile in the application of your expertise, a strong manager and an excellent team player.

### MANAGER, DATA SERVICES

GAM recognises that data is a corporate resource of significant importance. This new position will carry responsibility for the administration of all corporate data at GAM. It will be incumbent upon the successful candidate to define the parameters of the role. You will be expected to introduce radical improvements to the way in which GAM manages data. You will be able to analyse and anticipate the business's needs in this area and introduce effective solutions and necessary disciplines, working closely with staff at all levels across the Group. You will also be pivotal in

supporting the implementation of a corporate database architecture at GAM. We are looking for a creative individual who could come from a wide variety of fields and demonstrate at least five years of database administration in a management role. You must be well versed in re-engineering database processes and be conversant with the latest technological developments in this area. You must also be commercial, a good communicator and above all dedicated to providing an exceptionally high level of service within GAM.

Please write in confidence enclosing a curriculum vitae to: Mrs Michele Kirby, Global Asset Management (UK) Limited, 12 St James's Place, London SW1A 1NX.

**GAM**

### Transfer Agent Manager

#### Non-US Funds

J.P.Morgan Investment Management Inc. (JPIM) is London is the international investment arm of J.P.Morgan & Co. Incorporated. With \$157 billion under management, it is one of the premier investment management houses in the world.

JPIM is recruiting a Manager for its European Transfer Agency business. The Transfer Agency function is a key area within JPIM. It is an integral part of our client-service strategy worldwide. This position will be actively involved in a project to develop and manage a shareholder record-keeping capability for JPIM's funds business in Europe, the Bahamas and Canada.

The Transfer Agent Manager will be working with all levels of management to ensure effective delivery of the project. Subsequently, the responsibilities will include ongoing enhancement of record-keeping delivery to ensure that high standards for quality and client-service are maintained.

The candidate must have had project and relationship management experience, be self-motivated, resourceful and able to think tactically and strategically. In addition, the candidate should possess excellent interpersonal skills and have a high level of systems knowledge and technology related to shareholder record-keeping, analysis and implementation. Candidates must have a minimum of 5 years experience in funds transfer agency.

The position will be based in London, reporting through to New York. There will be extensive travel throughout Europe and the US. Foreign language skills would be useful.

This senior position offers a generous salary and benefits package and excellent career prospects with one of the leading US Banks.

J.P.Morgan Investment Management Inc. is an equal opportunity employer.

Interested applicants should write with their CV in English, in confidence, quoting reference no.P30092 to Helen Highet at Jonathan Wren & Co. Ltd., No.1 New Street, London EC2M 4TP Tel. 0171-623 1266 Fax. 0171-626 5257

**JPMorgan**

### APPOINTMENTS ADVERTISING

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## Schroders

### Analyst - European Smaller Companies

The Continental European team of Schroder Investment Management is looking for a European Equity Analyst to join a team of 21 European investment professionals. The successful candidate will be familiar with company accounts and financial analysis and will travel regularly in Continental Europe.

You should have an MBA or post-graduate qualification in economics or business-related subjects. In addition to being computer literate and familiar with spreadsheets, you will be sufficiently fluent in one or two European languages, besides English, to conduct business meetings. The job will combine using intellectual and analytical skills with practical and commercially-orientated tasks and involves meeting the senior management and proprietors of smaller quoted companies to assess the business strategy and management strength of potential investments and contribute to the decision-making process. It will be important to be able to present conclusions to colleagues or clients.

You are likely to be in your late twenties or early thirties with some previous business or professional experience and will have the acumen and drive to learn quickly and take early responsibility.

The compensation package includes a competitive salary plus full banking benefits package. Career prospects within the Schroder Group are excellent.

Applications in writing, with full curriculum vitae, should be sent to: Carol Scambler, Schroder Investment Management Limited, 120 Cheapside, London EC2V 6DS.

## RISK

## MANAGER

### Prime Brokerage

City

**Hays Executive**  
STRATEGIC SEARCH & SELECTION

Our client is one of the world's largest securities houses and a leading international investment bank which plays a significant role in all the key international markets. The continued growth and expansion of its business has created the need to recruit for a new position, an outstanding Risk Manager specialising in prime brokerage/equities.

#### The Opportunity

- Effective risk management has been identified as the cornerstone of continued competitive success, and a central tenet of their business strategy.
- This high profile position will be reporting daily to the Head of Risk Management working within a highly regarded team of 12.
- You will be responsible for the monitoring of all daily positions on the prime brokerage front system.
- Key challenges will include understanding risks, particularly liquidity, emerging market equities, convertible bonds and warrants and reviewing margins received for different strategies.
- Resourcefulness is required in researching data and putting together spreadsheets.

**£40-£60,000 + Exc. banking benefits**

#### The Appointee

- A Risk Manager with at least 1-2 years' equities experience and ideally emerging markets exposure.
- Any prime brokerage experience would be an advantage.
- You will be of graduate calibre with a strong mathematical background.
- You will demonstrate intellectual vigour, first-class communication skills and an innovative hands-on and practical approach to problem solving.

To apply please write enclosing your CV and current salary details to Sara Kenderline-Devies, Hays Executive, 36-44 Moorgate, London, EC2M 6EL. Alternatively telephone for an informal discussion on 0171 256 5849.

## MONEY MARKET DEALER

### IFSC, DUBLIN

Our client is a  
major international  
financial institution  
which has an operation  
in the International  
Financial Services  
Centre in Dublin.

MERC Partners has  
been retained to assist  
in the recruitment of  
a Money Market Dealer.



The person appointed will be responsible for capital market activities including:

- sourcing / placing of interbank deposits.
- interest rate risk management products - futures, swaps etc.
- foreign exchange - spot and forward.

Candidates will be graduates with at least three years experience in money markets and risk management and will ideally have had some exposure to asset management. They will be able to demonstrate strong interpersonal and communication skills.

Remuneration will be attractive.

Please write - in strict confidence - enclosing a curriculum vitae and quoting reference number 95421 to:

Brian G. Ward,  
MERC Partners,  
Number Twelve,  
Richview Office Park,  
Clonsilla,  
Dublin 14,  
Ireland.  
Fax: 853-1-283 0550  
E mail: postmaster@merc.ie

**merc**  
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### ACCOUNTANCY APPOINTMENTS

## THE DOCUMENT COMPANY RANK XEROX

### Finance and Accounting Manager

#### Prague

#### Attractive Package

Our client is an international manufacturing and services organisation employing some 30,000 people with customers throughout Europe, the Middle East and Africa. They are firmly focused on a continuing strategy of market growth and diversification throughout the world. As part of this strategy, they are committed to expanding their existing operations throughout Central and Eastern Europe. They have been operating in Prague for 25 years.

They now seek a senior finance executive to play an integral part of their operations in the Czech Republic. Reporting to the local Financial Controller, responsibilities will include monthly management reporting, ensuring local legislation is adhered to through liaison with external authorities, implementing tight fiscal controls, developing and enhancing systems and assisting in the development of country plans and business

operations. In addition, you will liaise with the UK and cross-functionally as well as assist in the development of the local finance staff.

The successful candidate will be a qualified accountant with knowledge of both western and Czech accounting standards. He/she will be fluent in English, systems literate and display the motivation and drive to be able to grow with the role. Career prospects in this international company are excellent.

Interested candidates should forward a comprehensive CV, stating a day-time telephone number and current remuneration, and quoting reference number 23457, in strictest confidence, to: Hugh Everard, Director at Michael Page Eastern Europe, Page House, 39-41 Parker Street, London WC2B 5LH, England, or fax +44 (0) 171 404 6370.



**Michael Page Eastern Europe**  
International Recruitment Consultants

## Senior Treasury Analyst

### Central London

c £50,000 Package

Our client is a leading international transport and service provider with its core business in time-sensitive freight and logistics solutions. The Group's financial exposures are currently managed on a 24 hour basis from its Overseas Group Head Office. The Group has a European Treasury Operation based in London and there is currently a requirement to recruit a high calibre experienced Treasury Analyst to help manage the Group's worldwide foreign exchange and interest rate exposures within the European time-zone. The position reports directly to the Group Head Office Treasury Manager, whilst having a day-to-day involvement with the European Treasury team.

The prime responsibilities of this position are to monitor financial market developments, analyse economies and recommend appropriate risk management strategies, as well as pro-active management of foreign exchange positions within Treasury's delegated

authority. The role will also have exposure to other facets of Treasury, particularly financing related issues. The candidate will be educated to degree and possibly to MBA level, demonstrate a sound understanding of financial markets and ideally have a minimum of five years experience, gained from a corporate treasury or banking background. Key technical abilities will include extensive foreign exchange and interest rate exposure management with strong analytical skills. Candidates should be self-motivated, pro-active and be able to work both independently and in a team-orientated environment. Career opportunities for the successful candidate are excellent.

Applicants should forward a comprehensive CV, quoting ref. 261438 to: Jon Boyle ACA, Executive Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH. Tel. 0171 831 2000. Fax 0171 831 2612.



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London

## Finance Director

Continued growth of the strategically important UK subsidiaries of one of Europe's largest groups calls for the appointment of a high calibre finance professional to ensure the finance function supports the needs of a diverse, growing business. Exceptional individual with strong commercial awareness sought to work closely with the Chief Executive in the development of the group. Influential role for a fluent French speaker at the heart of this dynamic company.

### THE ROLE

- Reporting to the Chief Executive with line responsibility for one of the larger divisions within the UK subsidiary.
- Establishing a UK centre of expertise across tax, treasury, insurance, project financing and control, identifying cost savings and raising standards in corporate financial management.
- Key member of the UK support management team, providing financial input to major investment projects. Working closely with Finance function in Paris, in establishing best practice as part of increased internationalisation of the group.

### THE QUALIFICATIONS

- Graduate, UK Chartered Accountant with first-class professional training followed by progressive track record within a major multinational or banking environment. Previous French company experience and fluency in French essential.
- Broad range of functional experience including financial and management accounting, tax, treasury and M&A. Asset financing experience an advantage.
- Stature and presence to engender credibility with senior management both in UK and Paris. Strong technical background in UK accounting, intellectually rigorous with highest levels of professional and personal integrity.

Leeds 0113 2307774  
London 0171 499 1238  
Manchester 0161 499 1700

**Selector Europe**  
Spencer Stuart

Please apply with full details to:  
Selector Europe, Ref. 505931118,  
14 Connaught Place,  
London W1 2DB

## FINANCIAL PLANNING MANAGER

STRATEGIC/COMMERCIAL ROLE WITH FINANCE DIRECTOR POTENTIAL  
LONDON TO £50,000 + BONUS + BENEFITS

- Market leading subsidiary of North American multinational, operating within the business information sector.
- Strong international focus with an impressive record of revenue and profits growth, well placed to take advantage of business development opportunities within this dynamic sector.
- High profile wide ranging role reporting to the Group Finance Director and working closely with the Board. Overall responsibility for ensuring a more strategic approach to the development of the business.
- Will include involvement in long range planning: market and competitor analysis; investment and acquisition appraisal; and budgeting.
- Candidates, probably in their thirties, will be qualified accountants with exposure to sound financial management practice, ideally gained within a blue chip company that operates internationally.
- In addition to a strong intellect and analytical skills, candidates must be able to display a high level of commercial acumen, drive and ambition. We are looking for individuals with the ability to progress to a subsidiary Finance Director role within a 2-3 year timeframe.

Please apply in writing quoting reference 1048 with full career and salary details to:  
Susan Ryder  
Whitehead Selection Limited  
11 2nd Street, London W11 6BB  
Tel: 0171 250 2043

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## FINANCE MANAGER

£65,000

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Thames Valley



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## FAST TRACK INTERNATIONAL ROLE

As a global leader in the pharmaceutical industry, this world-wide organisation continues to enjoy substantial growth and increased market share through innovative product development, together with an unrivalled excellence in research.

The company's ongoing success will largely depend on its ability to focus its research and resources towards the achievement of specific medical and commercial goals. A critical factor in attaining these goals will be the capability of the international research and development division to forge successful research alliances with third parties, whilst nurturing and optimising in-house research programmes.

Following the restructuring of the finance department, a key position has been created within the International Research and Development group.

Primary elements are as follows:

- Negotiating and identifying the most appropriate financial structure of new alliances.
- Appraisal of existing alliances to ensure continued commercial viability.
- Prioritising claims on resources across all locations where research is undertaken.
- Provision of financial information to Research Directors and line management.

This is a truly international role involving a substantial degree of travel and will offer the opportunity to develop both financial management and commercial skills.

The successful candidate is likely to be a qualified Accountant or MBA with an impressive record to date. Aged between 28-35, you must be able to demonstrate a record of achievement within a leading management consultancy or a large practice firm, together with considerable success in a blue-chip environment.

As a key player, the ability to influence and deal at all levels and functions is a prerequisite.

Please write enclosing full CV, quoting ref. AC 1209 to Alistair Cook at Robert Half, Princess Beatrice House, Victoria Street, Windsor, Berks SL4 1ER. Telephone 01753 857777, or fax your details on 01753 841676.

## Corporate Recovery SUPERVISORS/MANAGERS

Robson Rhodes stand apart from other accountancy practices. As a medium sized firm, we are a credible alternative to the Big Six. This means we get more than our fair share of newsworthy cases without being bound by the hierarchy and tradition of other organisations.

Within Corporate Recovery, our work has been primarily insolvency based, but we take a proactive approach to the market and are increasingly involved in pre-lending and business reviews.

As such, we are always looking for good people to help strengthen our team. We currently have opportunities at both supervisory and management levels for those with previous insolvency experience.

You must be a qualified accountant, ideally with at least 18 months' experience handling receiverships, liquidations and bankruptcy. You must also be studying for, or JEB qualified. Equally important are your interpersonal skills which must be supported by excellent written and oral communication ability.

In return, we offer a challenging and varied workload plus the opportunity to experience the full range of insolvency procedures. Working with key industry figures it is likely you will enjoy a steep learning curve and excellent career potential. Salary levels are flexible according to experience.

To apply, please send your full career and salary details to, Nigel Ruddock, Partner, Robson Rhodes, 186 City Road, London EC1V 2NU.

**ROBSON RHODES**  
Chartered Accountants

**RSM**  
International

Robson Rhodes is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

## DEVELOPING FINANCIAL LEADERS

Outstanding European opportunities following 12 months in USA

GE Capital, one of the world's largest and most successful diversified financial services companies, provides the services that give business a competitive advantage. AAA rated, its performance is consistently ground-breaking. The fastest growing financial services company in Europe, its highly-focused niche businesses span credit cards to aviation services, project finance to commercial real estate. Finance-driven, with an impressive track record of acquisitions and organic growth in 1995, success has created a demand for talented financial leaders throughout Europe.

In order to develop and sharpen business skills, individuals will first spend 12 months at GE Capital's headquarters in Stamford, Connecticut. Working closely with senior management, they will be involved in a range of major financial projects including acquisitions, integration and re-engineering of key processes. Through a combination of exposure to top-level leadership, involvement in big-impact projects and formal management development seminars, individuals gain the expertise to return to Europe to take up a financial leadership role within a GE Capital business.



GE Capital

GE is an equal opportunity employer.  
Not associated with the English company of similar name.

GE is seeking exceptional finance professionals with a clear record of career achievement for these roles. Given the diversity of qualifications in Europe, candidates could have a financial or business degree, MBA or professional accountancy qualification, in addition to 5-8 years' experience in a Big 6 practice, a multinational corporation or both. Experience of US clients and US GAAP will be an advantage; most important are talent, ambition, integrity, high energy levels and the drive to succeed in a growing, fast-paced business.

GE Capital offers a substantial package which includes accommodation and relocation assistance. GE's unique corporate culture provides exceptional opportunities for rapid career development for talented individuals.

Interested applicants should post or fax a full CV quoting ref. 136 to the address below. For more information call us on 44 171 242 9191 (weekdays) or 44 181 467 1408 or 44 171 231 8272 (evenings or weekends).

Note: any CVs sent direct to GE will be forwarded to Alderwick Consulting Ltd.



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## Commercial Analyst

to £38,000  
+ Quality Car  
+ Relocation

Multinational  
FMCG

Thames Valley



Our client is the UK personal care products division of a £2 billion turnover multinational FMCG Group. Their current success is built upon providing consumers with good value and innovative quality products. Future sales growth will be assured by a continual stream of exciting new launches coupled with heavy investment in the existing brand portfolio.

Entrepreneurial in style and supported by sophisticated systems, the business now needs to recruit an exceptional individual to undertake the role of Commercial Analyst. Reporting to the Finance Director, this position acts as the key interface with Sales and Marketing.

This is a demanding role where the principal objective will be to make a significant contribution to commercial policy and strategy. Additionally there is a need to support both Group and local management by providing interpretative analysis of brand and customer profitability.

The culture of the Company means strong interpersonal skills, a commercial bias and an analytical mind are pre requisites. A determined proactive approach and computer literacy are essential. Aged 25-33, candidates must be graduate calibre qualified accountants and probably already working in a medium to large consumer business.

Interested applicants should write, quoting reference oo. 25459 and enclosing a curriculum vitae together with current salary details to: Jon Sanders, Martin Ward Anderson, Goswell House, 134 Peasod Street, Windsor, Berkshire SL4 1DS. Alternatively, telephone him on 01753 830881.

## Financial futures - improve your options

FT-SE 100 plc with circa £1 billion turnover Theale (Reading)

THORN Europe is a major subsidiary of THORN EMI - a FT-SE 100 plc with a turnover close to £1 billion. In the UK we are the force behind Radio Rentals, Crazy George's and other famous brands.

Following internal reorganisation, we're looking for two talented young accountants to join our Audit Department for a short period - we expect to move you on to more senior roles within two years.

There are over 120 people in Finance at our European head office in Theale, near Reading, and the function enjoys a high profile within the organisation.

For both positions, you will need to be a qualified accountant, with experience of working in a blue chip, retail or multi-site environment.

Accountants with Audit experience Package c.£35,000

Reporting to the Head of Audit you will be responsible for planning individual financial/operational audit projects and preparing draft reports, mainly for our UK based businesses, though there are opportunities for European assignments.

In close contact with our European Executive Committee you will need to be an effective, articulate communicator; a good organiser and able to produce the goods, on time, under pressure. Computer audit experience and a working knowledge of French would be useful but are not vital.

Computer Auditor Package c.£35,000

Our European business is expanding rapidly. And as we continue to grow and diversify we need to build IT systems that keep pace with our needs.

Commercially aware you have detailed knowledge of computer audit techniques and practices, together with experience of AS400 and DEC/VAX.

Quite apart from your technical expertise and vision, you are commercially aware and relish the opportunity to influence the very pace of our progress.

These jobs are challenging and key appointments. They should be viewed by people with ambition as a springboard for speedy progression to finance/business roles within the Group.

As you'd expect, we provide an extensive range of benefits which include fully expensed car, bonuses, pension/private health scheme and relocation assistance if appropriate.

To apply please send your CV and current salary details to:  
Gill Hawker, Resourcing Advisor, THORN Europe, Baird House,  
Arlington Business Park, Theale, Reading Berkshire RG7 4SA.

**THORN Europe**

## FINANCIAL CONTROLLER - FD DESIGNATE - Circa £36k

Dynamic, expanding FT Human Resource Consultancy, offices UK, USA, Australia and Europe, turnover £40m require accredited Financial Controller for managed growth.

Qualified with a quality audit background, the chosen candidate will have the necessary IT knowledge and experience to develop plans for global growth. Expertise in managing remote and overseas funds and business an advantage. Preferred age 35-45 yrs. Post located at group headquarters. Please forward CV and covering letter to Mrs A Copeland, Eurolink Group Plc, Blenheim House, 56 Old Steine, Brighton BN1 1NH Fax: 01273 778464



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The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world.  
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## McKinsey &amp; Company

## Distinguish yourself.

As a fast-track, commercially-oriented ACA with high aspirations, you should be interested in an opportunity to broaden your professional skills and develop a distinctive career track.

These are by no means the only advantages of moving into a career with McKinsey.

As one of the most influential global strategy consultancies, our assignments focus on the prime concerns of CEOs in major international blue-chip businesses. Your challenge will be to address critical business issues and develop strategies that will have a profound effect on clients' performance.

The consulting role will enable you to work across a whole range of industry sectors,

and develop the comprehensive set of business skills that will not only broaden your management options but also accelerate your career - as many distinguished McKinsey alumni will readily testify.

Our approach is team-based, and you will work with a group of highly motivated individuals from a variety of professional and geographical backgrounds.

Exceptional ACAs already thrive in our demanding environment. To join us, you'll need an excellent record of achievement, including a good honours degree (2.1 minimum), first-time passes at every stage of your professional exams while working

in a leading accounting practice or blue-chip business, and between two and five years' post-qualification experience.

If you meet our requirements - and like the idea of a continuous learning environment, a supportive, high-calibre peer group and the opportunity to work with the senior management of major organisations - we should talk.

As a first step, send your full cv (including degree and A-level grades, and stating present remuneration) to Ms Liz Cook, Recruitment Administrator, McKinsey & Company, No 1 Jermyn Street, London SW1Y 4UH. Please quote ref: GA/FT/95 on both letter and envelope.

Financial Accounting Manager  
European Software Centre  
U.S. Software Company - Neuchâtel, Switzerland

Our client is the world leader in computer-aided design and multi-media software. Due to continuing growth, a new position of Financial Accounting Manager has been opened at its European Software Centre in Neuchâtel. This is the production, localisation and development centre for Europe, employing some 200 people.

The position will report to the Finance Manager, who in turn reports to the European Finance Director.

## Key Responsibilities will include:

- Manage and develop accounting team.
- Ensure timely and accurate handling of all accounting activities.
- Prepare and manage financial reporting.
- Support management in understanding financial results.
- Development of annual budget.

## Ideal Candidate Requirements are:

- CPA/Chartered Accountant or equivalent.
- 6+ years of relevant experience, at least 2 in a management/team leader role.
- Experience in accounting in an international/multi-currency environment, ideally some in manufacturing.
- GAAP/Public Reporting knowledge and experience.
- Strong interpersonal skills, innovative outlook.
- Excellent English language skills, French a strong asset.

The rapidly growing high-technology environment, good career development prospects and excellent rewards will be attractive to dynamic, high-energy candidates. Interested persons should send full personal and career details to the Consultants to the Company, who guarantee total confidentiality:

**FAS**  
MANAGEMENT SELECTION

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## EXECUTIVE CONNECTIONS

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## Audit Manager

London Based

£36-40,000 + F/X Car + Bonus

Grand Metropolitan is one of the world's leading consumer goods groups with an extensive portfolio of premium international brands in the food and drink sectors, including Smirnoff vodka, Häagen-Dazs ice cream and Burger King restaurants, to name but a few.

The International Audit team based in London covers Europe, Africa and the Asia-Pacific regions and provides guidance to management on the development of effective internal controls to help them achieve business objectives whilst minimising commercial risk. This is achieved through the education of management, the communication of control guidelines and the spreading of best practices. In addition to specific integrated and pre-implementation audits.

Following recent promotions into the business, a high calibre, quality conscious individual is sought to join the management team. Reporting to a Senior Manager, the position has direct staff responsibility and its remit includes:

- The execution of regional audit plans.

- The completion of assignments including final meetings and report agreement.
- Staff management, development and appraisal.
- Contributing to the ongoing development of the audit function and the business.

To meet the challenges of this role and to achieve progression either within the audit function or in the group's businesses, you will be of graduate calibre, qualified in either accountancy, IT or manufacturing and have a minimum of four years operational review/integrated audit experience. Able to travel internationally for 20-50% of your time, you will additionally possess a thorough understanding of internal control analysis and implementation, be able to assess risk and have well developed management skills.

To further your interest in this exceptional career opportunity please send your CV to Ian Coyle, our retained consultant at Executive Connections Ltd, 43 Eagle Street, London WC1R 4AP. Tel: 0171 242 8103 (evenings/weekends 0171 254 2571). Fax: 0171 831 4571.

BORDEN RIGID PLASTICS GROUP  
GROUP FINANCE DIRECTOR - EUROPE  
SOUTH WEST ENGLAND

Borden Rigid Plastics Group, headquartered in Bridgwater, is an operating division of Borden Packaging Europe, a major producer of plastics packaging for the food industry.

The Rigid Plastics Group consists of four operating units, in the UK and Holland, employing over 600 people, specialising in Rigid Plastics Packaging for a variety of foods, including margarine, ice cream, confectionery, bakery products, ready meals and fresh products.

The position which reports to the Business Group Director and functionally to the European Packaging Group Finance Director will be a key member of the management team. Areas of responsibility include the co-ordination of management reporting together with general financial planning and analyses with particular emphasis on tight financial controls and continued development of management information reporting systems.

The company seeks a commercially aware graduate chartered management accountant or equivalent, experienced in a multinational manufacturing environment. Any prior international experience will be taken into consideration.

An attractive remuneration package will be offered including an executive car, private health care, and re-location assistance.

Applications should be sent with full career history to:

Mr A H Wans  
Personnel Manager  
Borden Rigid Plastics Group  
Colley Lane Industrial Estate  
Bridgwater  
Somerset TA6 5LA

## GROUP FINANCE DIRECTOR

Service Sector plc - Package to £90k - London

**The Group**  
We are a recently floated acquisitive Group, a market leader in our particular sector with a turnover of around £80 million. We have expanded rapidly in recent years and have extensive interests in the UK and Overseas.

## The Role

The ability to provide strategic financial planning for the company's continuing growth is critical. You will be required to liaise with our institutional shareholders and the City and you will be a key member of the management team. However, your specialist skills will be required to ensure that the Group has the IT and other financial systems in place to continue its expansion from a sound base. You will be supported in this by our young qualified accounting teams who will look to you for direction. You will be closely involved with further planned acquisitions.

## You

You are a Chartered Accountant, whose training was with a major firm. You are likely now to be aged 35-45. Your recent experience may be as Finance Director of a smaller company or Deputy Finance Director of a larger company. Alternatively, you may be working on the finance and administrative side of a large investment bank.

You will have had practical experience of installing or upgrading systems for management and financial accounting, probably in a complex service sector business.

All applications will be treated in the strictest confidence.

CV's to:-  
Clare Holder  
Gavin Anderson & Company  
15-17 Eldon Street  
London  
EC2M 7LA

RMC

## EUROPEAN AUDIT MANAGER

career development opportunity

## Düsseldorf

RMC Group p.l.c. is a major international company with core interests in the supply of building materials and a worldwide turnover in excess of £4bn. The Group has substantial interests throughout Continental Europe and is expanding within Eastern Europe.

This is a new position reporting to the European Financial Controller (also based in Düsseldorf) and represents a challenging opportunity to develop and implement audit strategy and standards throughout the European operations. Significant travel will be required and you will work closely with senior country management.

This is not a career audit role; you will be an exceptional candidate in your early to mid thirties, qualified (ACA or CPA), with a mix of technical strength and commercial awareness preferably gained within an industrial organisation. Fluent German is essential and a good working knowledge of Spanish or French would be very useful. Above all you must have the interpersonal and communication skills to handle the cultural diversity and to merit further career development. A very attractive salary and benefits package will apply.

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## FINANCIAL CONTROLLER

Automotive Components Manufacturing

Based Banbury

£40,000 plus full benefits package



Our client is a rapidly expanding and profitable subsidiary of a major European components and accessories group. With a turnover of £24 million and employing some 185 staff, the manufacturing division is now in a position where the requirement for a dedicated head of finance has become increasingly important to the future commercial success of the business.

The role is varied, and will require the appointee to have very strong and current costing experience gained within a manufacturing environment. Key areas will include company performance measurement, variance analysis, product costing and cost forecasting. Projects such as costing for the

planned expansion programme will also need to be undertaken. In addition, there is, a full financial and management accounting function reporting to the Managing Director of the manufacturing division.

It is important that applicants can work effectively in a fast moving and highly competitive environment. The role requires a qualified accountant (preferably CIMA) whose experience will encompass all relevant areas. It is unlikely that anybody aged under 35 will have gained sufficient experience to fulfil a role of this calibre.

Please reply in the first instance with full cv to: Tom Petty, Kingston Smith Executive Selection, 2 Dryden Street, London WC2E 9NA.

## V P Corporate Finance

Columbus, Ohio

To \$100,000 + Benefits

With the need to bring added impetus and financial guidance to their developing US subsidiary operations this buoyant UK engineering group recognises the strategic importance of this key appointment. Based in Columbus and reporting directly to the UK Group Finance Director the position will carry finance responsibility for their US Division which incorporates both manufacturing and Sales/Distribution businesses.

Whilst the position embraces the normal functional responsibilities of monitoring, reporting and consolidating subsidiary results, including the management of treasury matters, a key aspect of the role will be that of supporting business development initiatives. A particular emphasis here

on further acquisition opportunities.

Applicants will be Qualified Senior Accountants with relevant divisional level experience within a well structured group environment. A full understanding of both UK plc and US reporting requirements will be a pre-requisite as will US residential status. Interviews will be conducted either in the UK or locally in the Ohio area.

Please reply in writing with full details of age, experience, qualifications and earnings, quoting reference number 95/1105/FT to Paul J Blake at Crescent Management Selection, 9 Upper King Street, Leicester LE1 6XF. Fax Number +44 (0) 115 247 0397.

Crescent

مكتبة القرآن الكريم



**RJR**  
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**CAMEL**

**Winston**

**Salem**

## The New Frontier Former Soviet Union

Our client, RJ Reynolds Tobacco International S.A., in 1992 was the first major investor in private cigarette enterprise in the Former Soviet Union. Since then the company has established itself as the recognised market leader with 6 production sites employing in excess of 5,000 staff. The company is committed to further growth in order to enhance its position and status in the industry world-wide.

As a result of recent acquisitions, the company is seeking to recruit six Financial Directors for its operations throughout the region. Reporting to and assisting the local General Manager, responsibilities will include:

- design, implementation and administration of pc based information systems;
- installation and development of robust financial controls and reporting procedures;
- training and development of local staff in accounting and internal controls;

Interested applicants should forward a comprehensive CV, including current salary package and daytime telephone number to Hugh Everard, Director at Michael Page Eastern Europe, Page House, 39-41 Parker Street, London WC2B 5LH.

- control of working capital – in particular, cash flow, standard costings and inventory issues.

Candidates must be qualified accountants with a successful track-record gained in an FMCG/manufacturing environment who can demonstrate a "hands-on" approach to the business and the intellectual ability to contribute to strategic decisions. Equally important are the personal qualities which must include confidence, maturity, flexibility, drive, energy and commitment together with the ability to identify and manage change. Fluency in English is a pre-requisite whilst a working knowledge of Russian or Ukrainian would be useful but is not essential.

These are exceptional opportunities offering a high level of responsibility, excellent career prospects together with a generous and attractive remuneration package to attract the very best.

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**VERY BEST**

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**Michael Page Eastern Europe**  
International Recruitment Consultants

## Finance Director TV/Leisure

London

c £40,000 + Bens

Our client is a small but diverse group with interests in TV Production and Distribution, and Hotels. The company has a turnover of £5m and has offices in London and Bristol.

On the TV side, their client base includes many of the main broadcasting companies worldwide and is considered a leader in its specialist fields.

They seek to recruit a Finance Director to play an integral role in the senior management team. Responsibilities will include:

- Direct and extensive commercial involvement in managing both TV and leisure divisions.
- Complex contract negotiations.
- Appraisal of new business opportunities.
- Budget preparation and forecasts.
- Management of a small accounts team.
- Presentation of financial information to the board.

The successful candidate will be aged 28-36 years, a qualified accountant with a strong academic background. The individual will need to show the capability of adding value to this complex and diverse business, together with proven financial skills and commercial acumen.

The ability to work with and manage a range of personalities in the various industries is essential. Previous experience of the industry sectors would be advantageous but is not essential. This is an exciting opportunity to join a growing group in a senior role where you will have a major influence on the future development of the business.

Interested applicants should forward a comprehensive CV, quoting reference 260969, to Peter Gerrard at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

**MP**

**Michael Page Finance**

Specialists in Financial Recruitment  
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## Financial Controller

with the ability to make a difference

Swindon based

up to £40k plus car

The successful applicant will manage a small and highly competent team and take responsibility for reviewing, installing and maintaining information and control systems, and for the provision of the entire spectrum of reports and management information. The brief also extends to involvement in complex negotiations and the objective review of both existing and future commercial opportunities. Cost management, monitoring and forecasting during a period of rapid expansion will form the crucial elements of the role.

Candidates must be qualified accountants with a good track record and several years' experience in a broad-based strategic role at a senior level. Consummate communicative skills, confidence and experience of modern computerised financial systems are pre-requisites, as is the ability to manage, motivate and influence at all levels.

As well as the challenge of an opportunity to make a major contribution to a dynamic and expanding business, we offer a package that reflects the importance placed on this role: strong career prospects, a competitive salary, a quality car, bonus and profit-related pay, 25 days' holiday, pension scheme, life assurance, medical and health plans, and relocation assistance if appropriate.

**SCHERER**

Pioneering Drug  
Delivery Systems

To apply please write with your CV to Mr Lionel Tebbutt, Finance Director, Scherer DDS, Frankland Road, Blagrove, Swindon, Wiltshire SN8 8RU to be received no later than Friday, 8th December 1995.

**Coopers & Lybrand** Executive  
Resourcing

## Head of Finance

CITY

c £65,000 + BONUS + BENEFITS

For a recently established entrepreneurial financial services organisation which is building a successful international business in asset management and investment banking. The London business is firmly established, a number of operations in key overseas locations are already in place, others are expected to follow.

Reporting to the dynamic managing partners, who have well established and highly successful records in business and financial services management, you will be responsible for managing the finance function and building a strong and effective finance team. This is a hands-on but high profile role. You will work closely with the Heads of IT and Operations to ensure that appropriate accountancy, settlement and management information systems are in place to support expected growth.

A qualified accountant, probably chartered and aged around 30, with a top quality degree, you must be a highly ambitious, strongly commercial, self-starter with a proven record of managing small finance teams in a blue-chip environment. You must have very strong MIS knowledge and international experience is essential.

This is a unique opportunity to join a growing organisation led by outstanding management who will pay a premium for a genuine high flyer.

Please send full personal and career details, including current remuneration level and daytime telephone number in confidence to E Torrance Smith, Coopers & Lybrand Executive Resourcing Limited, 1 Embankment Place, London WC2N 6NN, quoting reference TS1145 on both envelope and letter.

## FINANCE OFFICER (Systems Specialist)

The leading UN agency in the field of population and development is seeking qualified applicants for the position of Finance Officer, based in New York City. The incumbent will be primarily responsible for (a) matters relating to formulation of financial policies and procedures including the drafting of briefing papers, presentations and speeches; the coordination of financial issues among the organizational units within UNFPA as well as with its legislative bodies, and (b) recommending and directing the development, implementation and support of computerized financial systems; initial data, conducting analysis of business requirements and preparing detailed systems specifications.

### Qualifications and Experience Required:

Postgraduate degree in finance or business administration or a professional accountancy qualification, with some academic training in financial information systems. At least 8 years of professional experience, including at the international level, in positions of increasing management responsibility. Proficiency with modern computerized financial systems and strong analytical skills. Excellent communication and presentation skills in English. Knowledge of Spanish or French highly desirable. Initiative, problem-solving ability and sound judgment. Ability to work in a multi-cultural environment. Depending on professional background and experience, annual net remuneration ranging from US\$48,000 to US\$64,000, plus additional benefits, when applicable, such as rental subsidy, dependency allowances, education grant for children six weeks annual vacation, home leave every two years etc. Please send your detailed curriculum vitae to: UNFPA, Personnel Branch, 220 East 42nd Street, New York, NY 10017, USA. Reference: Finance Officer vacancy no. VA/2146/94. Applications must be received by 18 December 1995. Women are particularly encouraged to apply. Acknowledgment will only be sent to applicants who meet the specific requirements of the position.

**UNFPA**  
United Nations Population Fund

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## FINANCIAL CONTROLLER

WEST LONDON

TO £40,000 + CAR

Our client is a highly profitable £50m turnover, autonomous operating division of a market leading international plc specialising in task management contracting. As a customer focused service business, they have established an excellent position as a provider of a wide and diverse range of services in a niche sector. As a result of rapid growth a new position has been created for an experienced, committed professional to join the finance team.

The Financial Controller will be responsible for the financial integrity of a variety of high profile contracts. Emphasis will be placed on the ability to:

- Provide advice and guidance regarding the financial and commercial implications arising during the course of each contract.
- Evaluate risk and advice during commercial negotiations to safeguard the company's financial position.
- Manage change under pressure as a member of a new contract start-up team.

The successful candidate will be a qualified accountant who is commercially aware and possesses the confidence to work comfortably alongside non-finance staff. Enthusiasm and high levels of energy, with an approach to always question, are essential personal

attributes. Above all, the individual must demonstrate a "hands-on" style, but with the ability to progress to the level of Finance Director in due course.

The company welcomes applications from all sections of the community irrespective of race, colour, gender, sexuality and disability. Disabled applicants who meet the minimum requirements will be granted an interview.

If you believe you possess the necessary commercial flair and communication skills, please forward a current CV to Simon Moser or Claire White at Robert Walters Associates, 42 Thames Street, Windsor, Berkshire, SL4 1PR. Fax: 01753 678908. Internet: rwa@rwa.co.uk

**ROBERT WALTERS ASSOCIATES**



**SPHERE DRAKE**

## Group Management Accountant

Brighton

Sphere Drake Holdings Limited is a Bermuda registered public company listed on the New York Stock Exchange. We underwrite specialty lines of international property and casualty insurance and reinsurance with an emphasis on US-based risks through our operating subsidiaries in London and Bermuda. Sphere Drake employs over 400 people in the UK and Bermuda and in 1994 wrote net premiums of over US\$500 million.

As Group Management Accountant, you will play a critical role in ensuring our continued success. Located in Brighton and liaising closely with finance, underwriting and actuarial staff in Brighton, London and Bermuda, you will contribute significantly to the Group's internal management reporting by co-ordinating plans, rolling forecasts and variance analyses.

We are looking to recruit a Chartered Accountant with 3-5 years' post-qualification experience. Ideally gained from a property or casualty insurance background. Self-motivated and a good team player, you will also need to be proficient in Excel and, ideally, have previous budgeting experience.

The rewards will be all you would expect from a dynamic and successful organisation, with a competitive salary supported by benefits that include a company car, 25 days' holiday, life assurance, medical expenses, free permanent health scheme, non-contributory pension and luncheon vouchers.

If you are interested, please send a CV and covering letter (including current salary details) to:

Miss Judith Evans  
Sphere Drake Underwriting Management Ltd  
Park Gate  
161-163 Preston Road  
Brighton BN1 6AU



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